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Intellectual AMMUNITION

On State and Local Issues

Potshots

■ Never go to a doctor whose office plants have died.
— Erma Bombeck

■ Selfishness is not living as one wishes to live; it is asking others to live as one wishes to live.
— Ruth Rendell

■ Behind every successful man stands a surprised mother-in-law.
—Hubert Humphrey

■ Truth persists and works, even if nobody is left to utter it.
— Ludwig von Mises

■ It's always a trick to get to the podium before the applause dies when you are a budget director.
— Joan Walters
Illinois budget director

■ The uglier a man's legs are, the better he plays golf. **— H.G. Wells**

■ The mind can absorb no more than the seat can endure.
— Morton C. Blackwell

■ The best way to get a bad law repealed is to enforce it strictly.
— Abraham Lincoln

■ Motivated by the pursuit of private gain, individuals promote the public welfare.
— Walter E. Williams

■ When you cease to dream, you cease to live. **— Malcolm Forbes**

■ Having children is like having a bowling alley installed in your brain.
— Martin Mull

Five Facts About Taxes and Jobs

❶ State and local taxes are higher than ever. State and local tax collections during the 1980s outpaced personal income growth and federal tax increases. As a share of personal income, state and local taxes rose from 8.9 percent in 1982 to 9.8 percent in 1992. State and local taxes have risen 93.2 percent since 1982; federal taxes have risen 80.8 percent. The average family pays $5,282 a year in state and local taxes.

❷ Increasing taxes = fewer jobs. During the 1960s and 1970s it was fashionable to argue that high taxes meant better schools and roads, and thus faster economic growth. During the 1980s, however, research convincingly showed that states with rising taxes suffered *slower* economic growth. Nearly every state that raised its taxes relative to other states during the 1980s suffered slower–than–average economic growth.

Among the reasons: Businesses are mobile and cost sensitive; spending on schools and other services has not led to measurable improvements in output; social service spending, which does not improve an area's business climate, takes a growing share of government budgets.

❸ Tax shifting is not tax relief. Faced with voter resentment over tax increases, legislators in many states have resorted to *tax shifting*: lowering the rate of one tax by raising another. In most states this has meant higher sales and income taxes in exchange for promises of lower property taxes.

In practice, tax shifting rarely produces tax relief. *Case study*: In the name of property tax relief, Wisconsin redistributes 61 percent of state revenues to local governments—more than any other state in the nation. Yet Wisconsin ranks sixth highest in the nation in taxes per $1,000 personal income and sixth highest in property taxes!

❹ Income taxes are job killers. Taxpayers complain most vocally about property taxes, but *income taxes* hurt economic growth the most. Economist Timothy Bartick has found small business start–up rates are negatively correlated with income taxes (both corporate and personal) but *positively* correlated with property taxes.

State income taxes hurt business by increasing payroll costs,

(Continued on Page 2)

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Tools For Political Survival

Intellectual
AMMUNITION
On State and Local Issues

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making recruitment of high–skilled labor difficult, and reducing the funds available for investing.

High property taxes also can discourage investment and encourage business relocation, but property taxes are at least more likely to reflect the true quality and cost of public services received by the property owner. This *de facto* tailoring of tax burden to public services is conducive to economic growth.

❺ It is possible to cut spending instead of raising taxes. Some of the nation's most popular governors—including Tommy Thompson of Wisconsin, Douglas Wilder of Virginia, and Jim Edgar of Illinois—have taken tough stands against tax increases, opting instead for spending restraint. This year in Illinois, for example, only health, corrections, and education programs were spared from across–the–board cuts of 12 percent.

Privatization is a promising avenue for spending restraint. The Reason Foundation estimates that state and local governments in the U.S. own over $220 billion in potentially profit–making enterprises. Billions more can be saved as state policy makers learn to say "no" to the myriad special interest groups calling for more public spending.

# # #

Intellectual Ammunition *interviewed Dr. William Hunter, Associate Professor of Economics at Marquette University (606 North 13th Street, Milwaukee, WI 53233; phone 414/224-7377) and Dr. Robert Genetski, Genetski & Associates, Inc. (250 South Wacker Drive, 10th Floor, Chicago, IL 60606, phone 312/258-8100), for this article.*

Publisher's Note

A Magazine with Guts

"This is terrific!" writes *Intellectual Ammunition* reader Sen. Roger C. Heath (NH). "I clipped it apart and shipped it off to half a dozen friends and antagonists as support, new ideas, better arguments, and resources." Rep. Ken Pruitt of Florida told us, "Finally, a magazine with the guts to 'tell it like it is.' Keep it coming."

We're pleased to be of service to Senator Heath, Representative Pruitt, and the scores of other legislators who responded to their first issues of *Intellectual Ammunition*. It warms a publisher's heart to know people are reading and putting to good use the results of his hard work!

About Your Subscription

Of the 8,000 governors and state legislators receiving this issue of *Intellectual Ammunition*, as many as 3,000 won't be in office next year. If you are one of those who won't be returning in January, this will be your last issue of *IA* . . . unless you subscribe. Use the subscription card in this issue.

If you are a current donor to The Heartland Institute of $50 or more, you will receive *Intellectual Ammunition* until or unless you choose not to renew. Donors of $69 or more become Heartland Sponsors and receive notices of events, discounts on Heartland studies, and other benefits of membership. If you don't already belong to a think tank, why not join one now? See page 21.

A New Feature

On the page opposite this note is a new feature: *Life & Liberty*. Each month, a member of The Heartland Institute's Board of Directors or one of its five Boards of Governors will describe his or her ideas concerning state and local public policy.

Although Heartland board members come from a wide range of occupations and backgrounds, they share a concern for the growth in size, cost, and power of state and local governments. In their words, *Life & Liberty* will explore the experiences and philosophies that have shaped The Heartland Institute and *Intellectual Ammunition*.

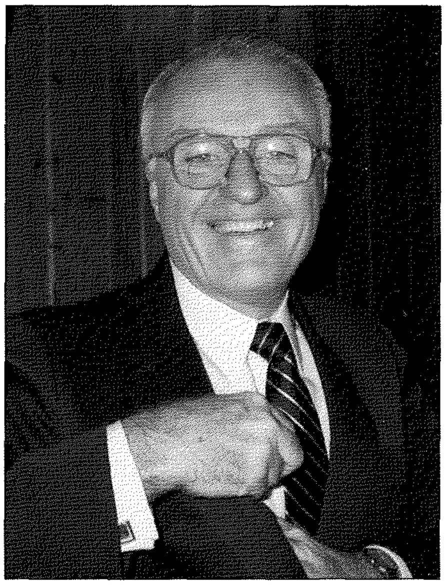
J Bast

Joseph L. Bast
Publisher

A New Golden Rule for Legislators

By David H. Padden

Life & Liberty: A forum for the Directors and Governors of The Heartland Institute to share their personal philosophies and life experiences.



"The rule of law has given way to the rule of men."

What a lovely world it would be if, in fact rather than promise, people did unto others as they would have others do unto them. In such a world, legislation would become unnecessary and legislators would be employed in the private sector—perhaps then the only sector.

But the world is far from perfect, and legislators spend their time righting the wrongs of an imperfect world. Few people question the necessity of lawmaking, yet most everybody to a greater or lesser degree finds time to fulminate against specific laws, regulations, and taxes. Why the griping? It sounds like complaining about rain but still wanting the flowers.

The answer lies in the difference between law and legislation. A perceptive scholar, Bruno Leoni, wrote a book some 30 years ago, *Freedom and the Law*, in which he drew out a careful distinction between law and legislation. Leoni observed that *law* is timeless and universal. It applies and is acceptable to all peoples regardless of culture, time, or circumstance. Even a thief, for example, wishes to be secure in his own possessions.

Legislation, on the other hand, is ever-changing, and its benefits frequently accrue to one person, industry, or group at the expense of others. Much legislation is inherently divisive, pitting one group against another. In place of universal agreement over the law, there is unending battle over who pays and who benefits from legislation. Thus we have tariffs that protect the profits and wages of an industry at the expense of consumers. Occupational licensure and minimum wage legislation protect current earners from potential price cutters. Rent controls favor renters and burden landlords. Building codes, state-owned enterprises, regulated industries—the list goes on endlessly.

Despite the best of intentions, the net result of most legislation is to benefit some people while harming others, always dividing and embittering now this group, now that, with none escaping the process.

No system of Hobbesian "war of all against all" could better be devised than our present system of rotating majority rule. Each temporary majority enacts legislation to benefit its constituency. When the aggrieved minority becomes the new majority, it seldom repeals legislation or abolishes agencies; it simply layers its new "vision " atop the existing structure.

Agencies and commissions have been created willy-nilly, and they are now beyond the control of successive legislatures. Bureaucrats "improve" upon the law through interpretation. So often is this the case and so many are the agencies, that the rule of law has given way to the rule of men.

What's to be done? Bruno Leoni suggests a rule that is as simple as it is profound: "Do not do unto others as you would have them not do unto you." It is a negative rule requiring only restraint.

A legislator can put this new golden rule to work by asking two questions before voting on any bill. Will this act tend to benefit one group more than another? Will it benefit one group at the expense of another? If the answer to either question is yes, the legislator should say no. The enlightened legislator should remember that what is inflicted upon one segment of the polity today will surely be visited upon the perpetrators tomorrow. It is a process in which all are long-term losers.

Nothing would build community in our society more quickly than a return to the rule of law. And nothing would restore respect for law and lawmakers more quickly than the passage of only those laws that benefit everyone equally.

###

David H. Padden, Chairman of the Board of Directors of The Heartland Institute, is a municipal bonds dealer in Chicago.

Strange Environmental Bedfellows

“We buy land. Or we buy the rights to land. And we forge alliances with individuals, groups, business, universities, and governments to reconcile ecology and economy.”

The key words “alliances with government” in this newspaper advertisement convey more about the **Nature Conservancy** than most readers would assume.

While professing to be the “private–sector leader in preserving Earth’s rare plants, animals, and natural communities,” the Nature Conservancy has become increasingly incompatible with the free market. In many ways, the Conservancy has become an appendage of government, especially of the U.S. Fish and Wildlife Service (FWS).

A recent Department of the Interior audit of government land acquisitions involving the Nature Conservancy and other environmental groups finds that FWS paid these groups “about $5.2 million more than the property’s approved fair market value in 64 transactions.” FWS, National Park Service, and Bureau of Land Management “permitted [nonprofits] to realize gains of another $1.9 million” on seven other transactions.

In addition, “certain land purchases were made before the appraisal process had been completed or were made in excess of the appraisal value with no documentary evidence to justify the increased price.” Consider the following:

■ FWS paid the Nature Conservancy $975,000 for land appraised at $800,000. The increase “was not approved by the Service’s chief appraiser, as required by the Service’s regulations.”

■ FWS paid $13.5 million for land appraised at $13 million. The appraised value “was exceeded because the Service paid overhead costs of $500,000 to the Nature Conservancy. The Service could not provide documentation to support these overhead costs.”

■ FWS paid the Nature Conservancy $4.5 million for land appraised at $3.5 million. A $4 million price was approved by the Migratory Bird Conservation Commission, but “the Commission had not approved the additional $500,000 payment for overhead costs charged by the Nature Conservancy.”

> In many ways, the Nature Conservancy has become an appendage of government.

“When projects are undertaken with the assistance of nonprofit organizations . . . the Service’s policy is to compensate [them] for any reasonable costs they incur. However, we found that program managers generally paid interest and overhead charges without determining whether [the nonprofits] had incurred these costs and whether the costs were reasonable. . . . [T]here is little assurance that [the nonprofits] incurred these costs . . . because adequate supporting documentation was not provided to the Departmental bureaus.” Says the Inspector General, “In many instances, we found only a one-page memo prepared by [the nonprofit] as support for hundreds of thousands of dollars of ‘related costs.’”

The audit reveals a general pattern of land acquisition: The government agency asks the environmental group to buy land that the agency would like to acquire later, or the environmental group buys a tract it intends to sell later to the agency. The group then lobbies for higher Congressional appropriations to the agency so the land can be bought and maintained at taxpayers’ expense. Appropriations to the Land and Water Conservation Fund, which finances land acquisitions by the agencies, increased “from $91 million in fiscal year 1986 to $219 million in fiscal year 1991.”

By collaborating with federal land management agencies, the Nature Conservancy, Trust for Public Land, Conservation Fund, and similar groups obtain taxpayer subsidies for their own buying and selling of land, and they also increase government land holdings that must be purchased and maintained at taxpayers’ expense.

Adds the *Washington Times*’ Kenneth Smith, “[I]t puts more private land in the hands of a government that specializes in doing for the environment what it has done for mail delivery, educational achievement, and health care costs.”

The theory behind organizations like the Nature Conservancy and Trust for Public Land is superficially appealing. However, like so many “public–interest” groups, they have strayed from their commitment to a private–sector approach, and their actions have had the same effects as policies advocated by other environmental activists more overtly hostile to free enterprise.

Capital Research Center

Information on this page was provided by Robert V. Pambianco, editor of *Organization Trends*, a monthly publication of the Capital Research Center. For more information, contact the Capital Research Center, 1612 K Street NW, Suite 704, Washington, DC 20006, phone 202/822-8666, fax 202/785-5634.

Focus on:

EDUCATION

Poll Number One

A September AP poll tested support for the GI Bill for Children, the pilot federal program that would provide $1,000 scholarships for up to 500,000 low and middle income school children to use at the public, private, or parochial school of their choice.

The program is supported by 63 percent of the public; 73 percent of families with incomes under $15,000; 75 percent of adults aged 18–34; 69 percent of parents with children; 66 percent of women and 58 percent of men. The U.S. Department of Education says that "to the best of our knowledge this is the highest level of support for a voucher–type plan ever recorded in a national survey of all Americans."

Poll Number Two

In Gallup's 24th Annual Poll of Public Attitudes toward our schools, only 18 percent gave favorable ratings (an A or B) to schools nationally. However, the closer the question came to home the better the schools seemed to become. Forty percent gave favorable ratings to the schools in their own town, and 64 percent to the schools their own children attend.

Poll Number Three

In late September the poll results on Colorado's school choice constitutional amendment were quite promising. The vote is November 3. The poll showed 60 percent in favor, 37 percent opposed, and 3 percent undecided. However, Campaign Director Ron Pierce is conducting a vigorous funding campaign so as to give supporters' position high visibility—bracing for the expected media blitz by opponents of the initiative.
Coloradans for School Choice: 800/541–2077 (nationwide), 800/826–5826 (Colorado), 692–9745 (Denver).

Poll Number Four

A Center for Choice in Education Poll of Black Americans last June found "The vast majority of Blacks who have heard or read about proposals being discussed in this year's election campaigns favor plans that include any public or private school." Support includes 88 percent of Blacks nationwide and 95 percent of those earning under $15,000.

Running Against the Grain

In *Liberating Schools* David Boaz writes: "Lewis Perelman of the Hudson Institute calculates that we could get 16 years of education—a high school diploma and a college degree—in 10 minutes at a cost of 5 cents if education had improved its efficiency over the past 40 years at the same pace as the computer industry."

Average ACT Scores

Race/Ethnic Group	Annual income		
	Up to $18,000	$18,000 - $35,999	$36,000 or more
African American	16.2	17.2	18.5
American Indian / Alaskan native	16.8	18.4	19.6
White	19.9	20.8	21.9
Mexican American	17.3	18.6	19.9
Asian American	18.7	21.0	23.5
Puerto Rican/Cuban/ other Hispanic	17.4	19.3	21.3

NEA Opposes Channel One

At their 1992 convention, 8,500 National Education Association delegates authorized their president to inform "media, business and advertisers who seek to commercialize the classroom that exploiting students who are a captive audience is unacceptable and repugnant to our organization." NEA officials acknowledged the resolution refers to Whittle Communications.

Question: If the NEA can criticize Whittle's program, is it not also fair to criticize the *NEA monopoly* as repugnant exploitation of a captive audience? At least schools have a choice about participating in Channel One.

Educational Blackmail

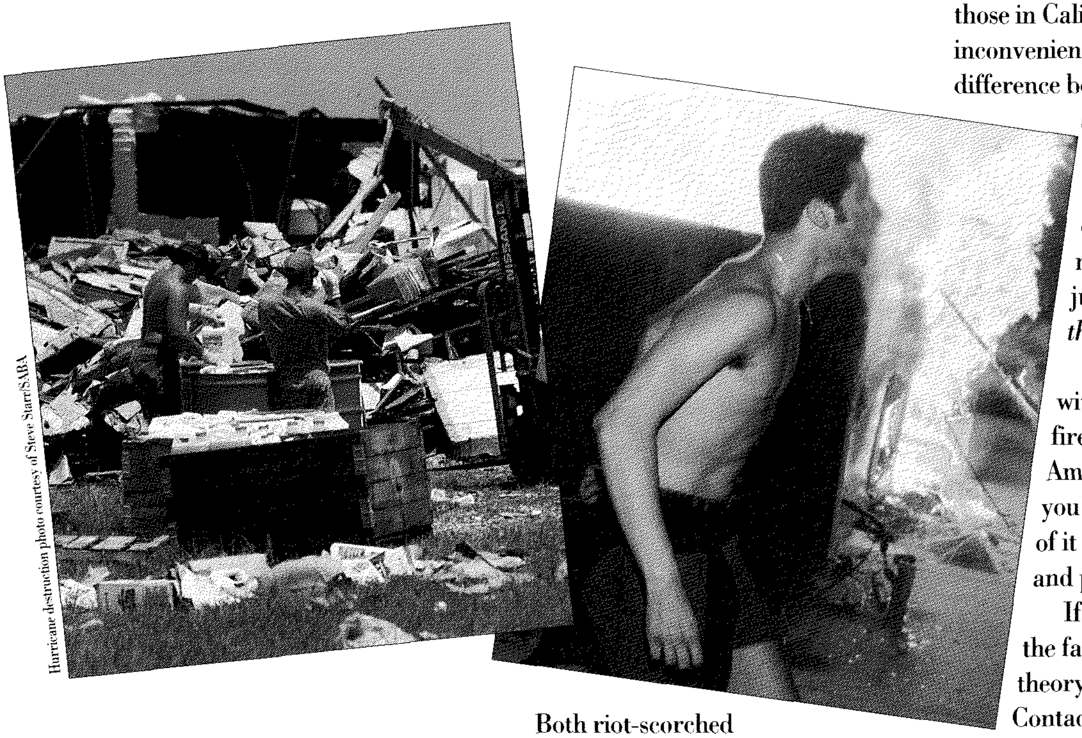
Teachers at a Washington, D.C. high school are refusing to write letters of recommendation for college-bound students, until parents agree to lobby for higher taxes. A recent "Dear Parents" letter reads: "Please submit to each teacher from whom your child is requesting a college recommendation your letters to your City Council member, the Superintendent, and your School Board member along with three addressed and stamped envelopes. At that point we will be happy to complete and send in the recommendation."
Washington Post, October 2, 1992.

CENTER FOR REBUILDING AMERICA'S SCHOOLS

Thomas Hetland, FSC is the Executive Director of the Center for Rebuilding America's Schools. He is a member of the Christian Brothers and was for twenty years a high school teacher and administrator. For more information, contact Thomas Hetland, the Center for Rebuilding America's Schools, 634 South Wabash, Second Floor, Chicago, Illinois, 60605, phone 312/427-3156, fax 312/427-4642.

"GUN CONTROL" THEORY MEETS THE REALITY OF THE STREETS.

Civil order collapsed in chaos. Packs of looters and thugs raged through the streets searching for innocent prey. By day, citizens picked through rubble to salvage their lives; when darkness fell, they struggled to defend what was left.



Hurricane destruction photo courtesy of Steve Starr/SABA

Both riot-scorched Los Angeles and hurricane-ravaged south Florida provided widespread opportunities for lawlessness. But there were life-and-death differences.

In Los Angeles, "gun control" theorists enforced California's 15-day waiting period and banned ammunition sales, while criminals did *what* they wanted *when* they wanted, to *whom* they wanted. They looted, torched, robbed, raped and killed with impunity. Meanwhile, terrified citizens waited and watched for help that too often arrived a heartbeat too late. As many as 60 Californians were killed.

But in south Florida, where lawful citizens were free to take up arms to *defend* life, limb and property – the innocent death toll was next to nil. Looters dabbled, and changed their ways. Thugs looked for trouble, and realized they'd find it. Potential killers were stopped. And lives surely were saved.

We believe this points to an enduring and indisputable truth. Whether it's public chaos or just one lonely person against one lone violent criminal, the result is the same: "Gun control" schemes like those in California aren't just an inconvenience; they can mean the difference between survival and surrender. And although a hurricane, a riot or a criminal encounter of that magnitude may strike just once in a lifetime, *that's all it takes.*

So when you're faced with legislation related to firearms or the Second Amendment, we hope you'll consider the impact of it on the lives, liberties and property of our citizens.

If you'd like the facts on the failures of "gun control" theory, get the *reality.* Contact us at:

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Focus on:

ENVIRONMENT

Remember Alar?

The EPA announced it would permit continued use of the pesticide daminozide, better known as Alar, for registered non-food applications. A plant growth regulator, Alar is used to thicken the foliage of ornamental flowers and shrubs.

The EPA confirmed its 1989 decision to ban Alar from food-producing plants. Three years ago, the apple industry was rocked by an anti-Alar campaign led by the Natural Resources Defense Council (NRDC) and highlighted on *60 Minutes*. NRDC's claim was based on the fact that force-feeding huge amounts of Alar's breakdown products to mice and rats causes some of them to develop tumors. However, common sense and sound science both teach us that a greater risk to human health results from lying to parents about non-existent risks in the food supply of their children.

Bon Appetit!

In its annual survey of natural pesticides in your holiday meals, the American Council on Science and Health (ACSH) points out the silliness of federal rules against residual pesticides in the food supply. A traditional American holiday feast contains huge amounts of naturally occurring toxins that are just as "risky" as man-made pesticides. (See "A Toxic Holiday Menu.")

According to ACSH, "These natural carcinogens are more numerous, more widespread, and in many cases more potent than man-made carcinogens in food." What ACSH does not say (but I will) is that many environmental groups know this to be true, yet they continue to frighten Americans into millions of dollars in annual contributions.

ACSH does offer sound advice: Avoid over-eating, a holiday tradition that creates a real health risk. And: "We should reject the presumption, if not superstition, that 'natural' is safe and 'man-made' is suspect. There is no scientific evidence to support this belief."

For more information and a copy of "Does Nature Know Best?" send $3.85 to The American Council on Science and Health, 1995 Broadway, New York, NY 10023-5860.

Expensive, But Worth It

A recently released collection of essays on environmental issues should be required reading for every policy maker in America. *Rational Reading on Environmental Concerns*, edited by Jay H. Lehr, covers almost every environmental topic and does so accurately and scientifically. This hefty volume (over 800 pages) carries a hefty price, about $50. Buy two and donate one to your school library.

Rational Reading on Environmental Concerns may be ordered through your local bookstore or direct from Van Nostrand Reinhold in New York, 1-800/842-3636.

A Toxic Holiday Menu

Cream of Mushroom Soup

hydrazines

Fresh Vegetable Tray

carotatoxin, myristicin, isoflavones, nitrate, hydrogen peroxide, quercetin, glycosides, tomatine, psoralens, glucosinolates

Roast Turkey with Cranberry Sauce

heterocyclic amines, malonaldehyde, eugenol, furan derivatives

Baked and Sweet Potatoes

amylase inhibitors, arsenic, chaconine, isflavones, nitrate, oxalic acid, solanine, cyanogenetic glycosides, furan derivatives

Pumpkin and Apple Pie

Myristicin, nitrate, safrole, acetaldehyde, isoflavones, phlorizin, quercetin, glycoside

Act Worse Than Ax

The U.S. Supreme Court has concluded that Congress' intent in passing the Endangered Species Act of 1973 was to stop extinction "no matter what the cost." That cost is rising daily in the Pacific Northwest, where between 20,000 and 100,000 jobs will be lost as a result of listing the northern spotted owl under the ESA. Economists at the University of California - Santa Barbara estimate that preserving the owl will cost the economy $26 billion (1990 dollars).

According to a Sierra Club Legal Defense Fund analyst, "The northern spotted owl is the wildlife species of choice to act as a surrogate for old growth protection, and I've often thought that 'thank goodness' the spotted owl evolved in the Northwest, or we would have had to genetically engineer it."

Clearly it is the Act, and not the ax, that is wreaking havoc in northwestern forests. Given that Sierra and others want to add some 5,000 other species to the list covering every state in the Union, it is not unlikely that the Act will soon threaten your neck of the woods.

Information on this page was provided by Kent Jeffreys, director of environmental studies at the Competitive Enterprise Institute, 233 Pennsylvania Avenue SE, Suite 200, Washington, DC 20003, phone 202/547-1010, fax 202/546-7757.

Focus on:

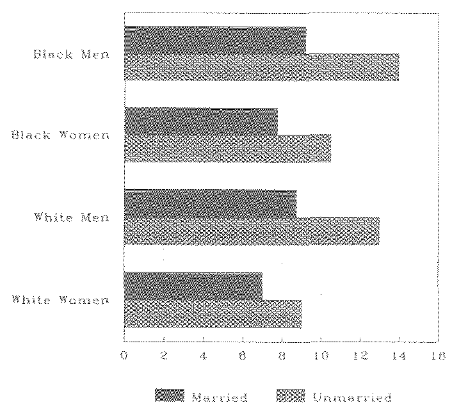
FAMILIES

Stable Minds

Married men and women suffer from fewer psychiatric illnesses than their unmarried counterparts. Further, separated and divorced black men are four times as likely to abuse alcohol than married black men. Among white men, the link between marital dissolution and psychiatric disorder is "even stronger" and extends "to a broader range of disorders."

"Marital Status and Psychiatric Disorders Among Blacks and Whites," *Journal of Health and Social Behavior* 33 [1992].

The Marriage of Sound Minds
Rates of psychiatric disorders
within the last six months



Fewer Births to Married Moms

Births to married women have fallen sharply in recent decades. Employment is driving down fertility among married women; high divorce rates also depress fertility among married women and drive up the number of births out of wedlock.

"Communities where women work and work full-time create environments less conducive to a married woman's having a birth." Statistics also show a distinctively low birth rate among married women in communities with high divorce rates.

"A Multilevel Analysis of Marital and Nonmarital Fertility in the U.S.," *Social Forces* 76 [1992].

Weak Unions

Cohabitation lays a poor foundation for marriage. Couples who have cohabited before marriage report "greater marital conflict and poorer communication" than couples who have not. Moreover, couples who have cohabited before marriage are "less committed to the institution of marriage" than couples who have not.

"Cohabitation & Marital Stability: Quality or Commitment?" *Journal of Marriage and the Family* 54 [1992].

Less Confidence

While divorce rates have remained high, remarriage rates have fallen, as many divorced Americans have grown distrustful of marriage itself. Between 1980 and 1988, the annual remarriage rate among divorced men fell almost one-third (31 percent), while the remarriage rate for women declined 21 percent. The slide in remarriage rates may be traced to the declining attractiveness of remarriage: divorce rates run highest among couples in which both bride and groom have been previously married.

"Remarriages: A Demographic Profile," *Journal of Family Issues* 13 [1992].

In-Home Care

Elderly Americans who can rely upon a spouse or adult child for care are much less likely to become nursing home patients than peers who do not have a spouse or child to whom they can turn. Among "functionally disabled" elderly Americans, researchers find that "foremost in reducing one's chance of being admitted to a nursing home is having either a spouse or an adult child in the caregiving role."

"Alternative Sources of Social Support and Their Impacts on Institutional Risk," *Gerontologist* 32 [1992].

Like Mother, Like Daughter

Daughters of unwed teen mothers often become unwed teen mothers themselves. Researchers have found that, regardless of race, "the earlier the mother's age at first birth, the higher the likelihood that her daughter will have a teen birth."

Illegitimate births to teen mothers also reflect "a strong intergenerational pattern." Unwed teen mothers—white and black—rear daughters who become unwed teen mothers. Research shows a "weakening" of the pattern recently, not because daughters of unwed teen mothers are becoming less likely to become unwed teen mothers themselves, but because of the "increasing prevalence of premarital childbearing in all sectors of the population."

"Intergenerational Patterns of Teenage Fertility," *Demography* 29 [1992].

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Information on this page was provided by Bryce J. Christensen, editor of *New Research*, a monthly supplement to *The Family in America*, published by The Rockford Institute. For more information, contact Allan Carlson or Dr. Christensen at The Rockford Institute, 934 North Main Street, Rockford, IL 61103, phone 815/964-5053, fax 815/965-1826.

Focus on:

HEALTH CARE

Disappointing Choice in California

Californians faced two health care reform proposals on November 3: Proposition 166, requiring employers to pay at least 75 percent of basic policy premiums for employees who work 17.5 hours a week or more; and a plan sponsored by State Insurance Commissioner John Garamendi, which would impose a 7.75 percent payroll tax and require HMOs and other managed health–care networks of doctors and hospitals to bid on regional contracts to insure all Californians.

A study by University of California economists contends that Prop 166 would cost small businesses $6.2 billion a year. They report that the uninsured would get less than one-fourth of the money; most would go to large employers and insurers (who now pay for the uninsured through higher charges) and doctors and hospitals, who would have fewer unpaid bills.

The Garamendi plan would raise insufficient funding for universal coverage, ensuring future tax increases. Moreover, payroll tax schemes hurt small businesses and people in low–paying jobs: the two groups, ironically, that the program is intended to help. There is no assurance that "managed competition" will control inflation in the health care industry, particularly if mandatory payroll taxes dump billions of new dollars into the marketplace.

See Lance T. Izumi, "California's Health Care Reform Proposals: Are They Worse Than The Disease?" June 15, 1992, Golden State Center for Policy Studies.

Bush, Clinton, and Health Care

A recent study by a liberal policy group estimates that Bill Clinton's health–care proposals would save $746 billion over the next eight years, while President Bush's proposals would save only $157 billion.

Clinton's plan saves more because it imposes a cap on health care spending, using price controls and rationing to deny medical treatment once the limit has been reached. The Bush plan saves less because it does not arbitrarily limit spending, and uses government vouchers and tax credits to help the uninsured buy insurance.

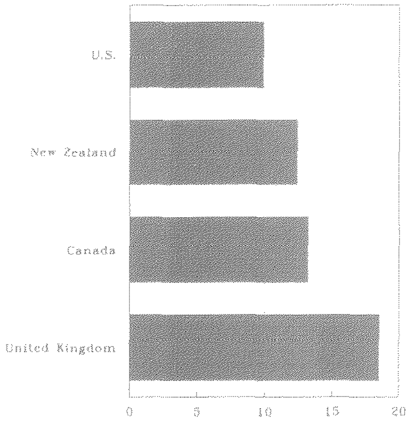
Isn't it odd that a Democrat, for whom health care is "a right, not a privilege," would support spending caps that will deny medical treatment to millions of people? And why does a "fiscal conservative" Republican advocate more subsidies but no incentives for consumers to spend less?

See Spencer Rich, "Clinton's Health Plan Saves More, Study Finds," *Washington Post*, October 2, 1992.

Perot's Plan

In *United We Stand*, Ross Perot calls for taxing employer–paid health insurance premiums above a certain amount. Perot is right: preferential tax treatment of premiums favors the rich and encourages inflationary "first dollar" coverage. But why not offset the tax *increase* from taxing premiums with a tax *break* for individuals who deposit money into tax–free Medical Savings Accounts? That way more people could purchase high–deductible policies and self–insure for small bills. We would get tax equity *and* give consumers an incentive to minimize their spending.

Average Length of Hospital Stay, in Days (1981)



Souce. Organization for Economic Cooperation and Development. 1987.

And Andre Marrou, Too

The only other candidate for President on the ballot in all 50 states is the Libertarian Party's Andre Marrou, a former Alaska state representative. Marrou supports abolishing the Food and Drug Administration, which inflates drug costs, killing more people than it saves; repealing occupational licensing laws, which keep lower–cost practitioners from competing with the medical establishment; repealing Certificate of Need requirements that keep hospitals from making needed investments; and repealing mandated benefits that inflate insurance prices.

Contact the Libertarian Party at 1528 Pennsylvania Ave. SE, Washington, DC 20003; phone 202/543-1988.

THE HEARTLAND INSTITUTE

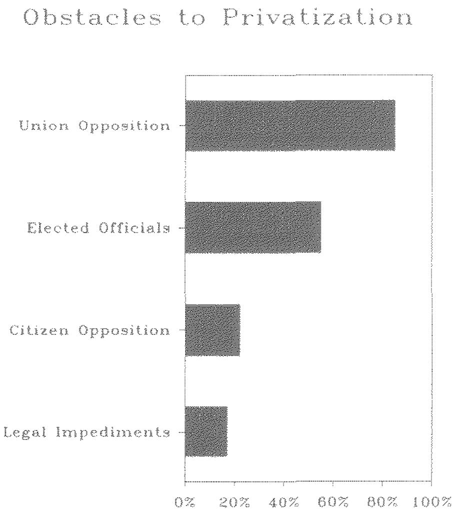
Information on this page was provided by Joseph L. Bast, president of The Heartland Institute. For more information, contact The Heartland Institute, 634 South Wabash, Second Floor, Chicago, Illinois, 60605, phone 312/427-3060, fax 312/427-4642.

Focus on:

PRIVATIZATION

Privatizing the Post Office

The 745,000 workers of the U.S. Postal Service—89 percent of them union members—enjoy a wage and benefits package totaling $23 an hour. Transferring control and ownership of the Post Office to the private sector and introducing competition could save postal patrons billions of dollars.



Source: 1992 Reason Foundation Survey of the 24 Largest Cities in the U.S

There is nothing inherently governmental about delivering mail; private delivery services demonstrate what innovation can accomplish in terms of quality service and low cost.

But how can union opposition to privatization be overcome? *Make it a good deal for employees.*

The British government, for example, is studying the idea of restructuring its Post Office. The favored approach would include a management-employee buyout, providing workers with a financial incentive by offering reduced-price shares.

Malaysia has passed a bill to permit privatization of its mail service, and Denmark is planning to corporatize its mail and then privatize 25 percent. In Canada, the Minister responsible for the Canada Post Corporation announced in April an Employee Share Savings Plan that would "allow employees to invest in the company."

Benefits of Malaysian Privatization

"Unqualified success" is how the World Bank describes the privatization of Kelang Container Terminal (KCT), the container operations at Malaysia's principal port.

In one of 12 case studies examined in its June 1992 report, the World Bank found that divestiture of container operations at Kelang Port Authority (KPA) benefited not only the government, buyers, and consumers, but also employees.

For KCT employees, privatization turned out to be a boon. All 801 employees of the public container operation were hired by KCT in the privatization deal. By 1990, KCT employee compensation rates were 83 percent higher than compensation received by their public-sector counterparts at KPA. This dramatic rise in labor wages reflected an equally impressive rise in labor productivity, which fostered a 75 percent growth in container traffic.

The World Bank notes that "unions at both KCT and KPA have become advocates of divestiture, urging privatization of KPA and advising a Thai port union to support sale of its own organization."

A Tale of Two Cities

Philadelphia's new Mayor, Ed Rendell, appears poised to bring competitive contracting to municipal services despite strong opposition from city labor unions. Rendell has set up a Competitive Contracting Commission to study privatization.

The city's public employee unions have spent over $500,000 on television ads critical of privatization. Lane Kirkland (president of the AFL-CIO) and Gerald McEntee (president of the American Federation of State, County, and Municipal Employees (AFSCME)) have appeared in Philadelphia to oppose privatization.

The City of Detroit, confronted by a $110 million deficit, is taking steps to reduce costs through privatization. Mayor Coleman Young, who has resisted privatization in the past, is looking for ways to provide services more cost-efficiently. On August 26, the AFSCME union ran full-page advertisements in both of the city's major newspapers critical of privatization.

But is privatization really so bad for public-sector employees? A 1989 study by the National Commission on Employment Policy found that only 7 percent of affected government workers were laid off. And a recent GAO survey found that no more than 5 percent of all public employees were left unemployed by privatization.

Reason
Foundation

Information on this page was provided by John O'Leary and William Eggers of the Reason Foundation. For more information, contact the Reason Foundation, 3415 South Sepulveda Boulevard, Suite 400, Los Angeles, CA, 90034, phone 310/391-2245, fax 310/391-4395.

Privatization Hotline 310/391-6525.

Focus on:

TAXES

Families Lose Purchasing Power

Weak income growth, inflation, and accelerating taxes will make the typical family $214 dollars poorer in 1992. A family with two earners employed full-time, year-round, and two dependent children has lost purchasing power every year since 1989.

The two-earner family making $33,492 in 1982 is now earning $53,984. However, when federal taxes, state and local taxes, and inflation are taken into account, this $20,492 increase results in a mere $4,021 net gain. *Over 80 percent of the family's income growth in the past decade has been eroded by taxes and inflation.*

Taxes Dominate the Family Budget

Federal, state, and local taxes together are the largest item in the family's 1992 budget. The American family will spend 39.7 percent of its 1992 budget on taxes, more than on food, clothing, and housing combined. After paying its taxes and purchasing these necessities, the family has only 29 cents left on a dollar to pay for such items as health care, transportation, and insurance. Not surprisingly, the family's current savings rate is less than 3 percent.

Persistent federal deficit spending over $350 billion means more pressure to increase federal tax revenues, and the sharp tax increases recently enacted in numerous states will continue to tap the family's disposable income over the next several years.

Taxes on the Family During the 1980s

The Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986 helped lighten the federal income tax burden on the American family. The percentage of family income taken by the federal income tax fell from 17 percent in 1981 to its current level of 12 percent. But this relief has been overwhelmed by rising Social Security taxes, excise taxes, and state and local taxes.

The Social Security tax rate has increased six times since 1981. The level of earnings to which this tax is applied also has ratcheted up. The bite that Social Security takes out of the typical family's income reached a record $4,130 in 1992.

Indirect federal taxes—the employer's share of Social Security taxes, business taxes, and excise taxes on a multitude of products—mean lower wages and salaries for workers, higher prices for consumers, and lower returns for investors. The Omnibus Budget Reconciliation Act of 1990 increased many indirect taxes, notably on gasoline (from 9 to 14 cents per gallon), cigarettes (from 16 to 24 cents per pack), beer (from 16 to 32 cents per six-pack), wine (from 3 to 21 cents per bottle), and the telephone excise tax (permanently 3 percent). All told, the median family will pay an estimated $5,832 in total indirect federal taxes in 1992, or 10.8 percent of the family's income.

State and local taxes also affect the family's income. Since 1990, states have added $37 billion in new tax increases. Total state and local taxes that claimed 8.9 percent of the family's earnings in 1982 now commandeer 9.8 percent, or $5,282.

Impact of Inflation on Family Income

Inflation stood at 13.5 percent in 1980 but declined steadily to a low of 1.9 percent in 1986, giving the growth rate in family income a chance to outpace inflation. It was during this period that the family achieved its most significant gains, with real income rising an average of $911 per year between 1983 and 1988. However, inflation has since accelerated slightly and combined with a weak economy to reverse the trend. Inflation is estimated at 3.16 percent for 1992.

The Typical American Family's 1992 Budget

	Dollar Amount	Percent of Income
Family Income	**53,984**	**100.0**
Total Taxes	21,445	39.7
Federal	16,163	29.9
State and Local	5,282	9.8
After-tax income	**32,539**	**60.3**
Total Personal Consumption Expenditures	**32,539**	**60.3**
Housing & Household	8,795	16.3
Food & Tobacco	5,935	11.0
Health & Personal Care	4,750	8.8
Transportation	3,940	7.3
Recreation	2,482	4.6
Clothing	2,428	4.5
Insurance & Pensions	1,241	2.3
All Other	2,968	5.5

TAX FOUNDATION

Information on this page was provided by William Ahern, director of public information at the Tax Foundation. For more information, contact the Tax Foundation, 470 L'Enfant Plaza SW, Suite 7400, Washington, DC 20024, phone 202/863-5454, fax 202/488-8282.

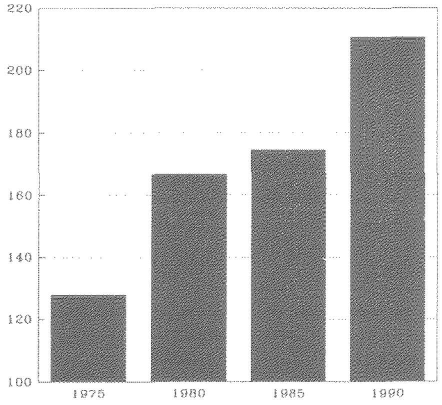
WELFARE

Welfare State Expanded in 1980s

While the public is often told that the "safety net" was slashed in the 1980s, research by the nonpartisan Congressional Research Service (CRS) of the U.S. Library of Congress shows this is not the case. CRS charted the growth of federal, state, and local spending on 78 means–tested programs, those with benefits restricted to low–income persons. The report shows that spending on these programs *grew* by 26 percent between 1980 and 1990 after adjusting for inflation. According to CRS, welfare spending reached an all–time high in 1990 of $210 billion, nearly three times the amount needed to abolish all poverty in the U.S.

Congressional Research Service, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 1988-90* (September 30, 1991, #91-741-EPW).

Welfare Spending
Federal, State, and Local
(billions of constant 1990 dollars)



Prolonged Welfare Dependence Undermines Intellectual Ability

Being raised in a welfare-dependent family dramatically reduces children's intellectual abilities and life prospects. Researchers at Baruch College in New York City studied the effects of being raised in a welfare family on the intellectual abilities of children aged three to six. Examining a wide range of factors—such as family income, parental education, and residence in a slum neighborhood—the researchers found that welfare dependence had a significant negative effect on a child's learning and mental abilities. Holding all other factors constant, long-term welfare dependence reduced a child's intellectual ability by over one–third, compared to nearly identical children in low–income families not on welfare.

Dr. M. Anne Hill and Dr. June O'Neill, "The Transmission of Cognitive Achievement Across Three Generations," prepared for RAND Conference on Economic and Demographic Aspects of Intergenerational Relations, Santa Monica, California, March 1992.

Government Destroys Low–Income Housing

Excessive government intervention in the housing market has led to urban housing shortages. For several decades New York City's "bottom–end" housing supply has been disappearing. Unwise government policy has played a key role. Rent control, tax incentives for conversion of Single Room Occupancy hotels to high–rent apartment buildings, overly strict building codes, and restrictions on private homeless shelters have removed low–cost, habitable private housing from the market. Randall Filer gives practical suggestions on how to make such housing available to the indigent, without incurring a public subsidy.

Randall K. Filer, "Opening the Door to Low–Cost Housing," *The City Journal*, Vol. 2, No. 3, Summer 1992, pages 37-46, Manhattan Institute.

Long-Term Welfare is a Problem

Research for the Department of Health and Human Services contradicts the claim that there is little long–term welfare dependence in the U.S. Analyzing "multiple spells" of welfare receipt in which a mother briefly left welfare but then returned, Dr. David Ellwood of Harvard University has shown that the overwhelming majority of single mothers receiving Aid to Families with Dependent Children (AFDC) at any given time are long–term dependents. Sixty–five percent of mothers currently on AFDC will stay on for over eight years; 83 percent will receive AFDC for over five years. Only 7 percent will receive welfare for less than two years.

Committee on Ways and Means, U.S. House of Representatives, *Overview of Entitlement Programs: 1992 Green Book* (Washington, DC: U.S. Government Printing Office, May 15, 1992).

Information on this page was provided by Robert Rector, policy analyst for social, welfare, and family issues at The Heritage Foundation. For more information, contact The Heritage Foundation, 214 Massachusetts Avenue NE, Washington, DC 20002, phone 202/546-4400.

The Heritage Foundation

RESEARCH REPORT

Summaries of Research on State and Local Public Policy

See pages 25-27 for the addresses and telephone numbers of the publishers of research cited here.

BUDGET

Pork Alive and Well in Congress. Congress spends tax dollars at the rate of $2.75 million a minute, "and far too much of it is spent either on inexcusable, worthless pursuits or on shameless pork barrel programs that serve no other purpose than to guarantee Members of Congress' re-election." Paul Beckner, *Wasting America's Money II*, 1992, Citizens for a Sound Economy.

How Big is the National Debt? The national debt passed $4 trillion for the first time in history. That's enough to paper Washington with $100 bills corner-to-corner, with enough left over to pay each Senator and Representative a $3.9 *billion* salary; it would take 50 years for 3.6 million workers to earn that much money; it would take 127,000 years to spend that much money if you spent $1 every second of every day! "Debt Threat Reaches $4 Trillion," *Capital Ideas*, September/October 1992, National Taxpayers Union Foundation.

Business Owners Could Teach Congress a Lesson. How does a business owner approach out-of-control spending and deficits? *Ten steps*: (1) cut overhead, travel, personnel costs; (2) bypass the middleman; (3) cease unprofitable activities; (4) close outmoded departments; (5) streamline departments; (6) eliminate waste; (7) sell surplus assets; (8) give managers flexibility to cut spending; (9) crack down on loan defaults; (10) contract out. Scott A. Hodge, "Lessons from Business on Cutting Federal Spending," *Backgrounder No. 911*, August 14, 1992, The Heritage Foundation.

Government-Sponsored Enterprises a Budget Burden. Enterprises such as the Federal Home Loan Mortgage Corporation and Student Loan Marketing Association, are risky businesses that endanger taxpayers. They should be required to charge user fees to offset the tax subsidies they receive—causing them to function more like private enterprises *and* offset the potential burden on taxpayers. James Gatti and Ronald Spahr, "The Burden of Government- Sponsored Enterprises," *Policy Analysis No. 176*, August 13, 1992, Cato Institute.

How Expensive is Your Congressperson? "The congressional workload remains heavily skewed toward devising and promoting bills to increase spending." The typical Senator proposed $18.3 billion in net new spending, while the typical Representative proposed $19.9 billion. *Taxing*: In the 102nd Congress, as much as 93 percent of legislative activity affecting the budget has centered on increasing government spending. "The Congressional Budget Tracking System," *Report No. 3*, September 1992, National Taxpayers Union Foundation.

Spending Cuts Needed to Reduce Deficit. Recommends—and describes in detail—over 120 federal program changes that would result in first-year savings of $53.5 billion and total savings between 1994 and 1997 of $788.3 billion. Scott A. Hodge, "Real Deficit Reduction Demands Real Spending Cuts," *Backgrounder No. 913*, August 28, 1992, The Heritage Foundation.

CIVIL RIGHTS

How Government Has Failed Blacks. Central planners and social engineers have failed to improve the lot of blacks in America . . . yet individual blacks have succeeded. *How did they do it?* They saw hard work and determination, rather than entitlements and victimhood, as the key to getting ahead. Thomas Sowell, "Public Policy and Some Personal Reminiscences," *Imprimis*, September 1992, Hillsdale College.

Gun Control is not Crime Control. In the most comprehensive such study ever published, David Kopel, associate policy analyst for the Cato Institute and former New York assistant district attorney, concludes that gun control laws in Japan, Great Britain, Canada, Switzerland, and other countries have little influence on crime rates. *Self-control* and a sense of responsibility for one's actions are needed. David B. Kopel, *The Samurai, the Mountie, and the Cowboy* (Buffalo, NY: Prometheus Books, 1992).

Media Want to Outlaw Gun Ownership. Biased reporting by the media supports a national movement to condemn firearms and, if necessary, repeal the Second Amendment. *For example*: editorial support for waiting periods, failing to distinguish between semi-automatic and fully automatic "assault weapons," and a media generated scare over non-existent "plastic guns." "How Media Misinformation Threatens Your Rights," *American Rifleman*, September 1992, National Rifle Association.

Blacks Hurt By "Crab-in-the-Barrel Syndrome." African-Americans often seem to be working to sabotage each other's success. Two false beliefs underlie the syndrome: first, the notion that African-Americans must all live or perish together; and second, the belief that the progress of the African-American race is paramount to, and therefore must precede, the progress of any African-American individual. *How to shake the syndrome*: a commitment to self-reliance; a focus on opportunity; and a new vision that shuns the "victim" label. Phillip Aaron and Errol Smith, "Black Accountability and

Achievement," *The Heritage Lectures 398*, 1992, The Heritage Foundation.

All Created Equal. "If we are to end the new segregation on campus, and everywhere else it exists, we need to recall the spirit of the original civil rights movement, which was dedicated to the self-evident truth that all men are created equal." Shelby Steele, "The New Segregation," *Imprimis*, August 1992, Hillsdale College.

What Explains Problems in the African-American Community? Not racism, according to the National Center for Neighborhood Enterprise's Robert Woodson, but a shift away from community values and personal responsibility. *Woodson favors*: tenant management of public housing, privately run neighborhood schools and educational choice, return to traditional, "Bible-based" values. J.G. Conti and Brad Stetson, "Protesting the 'Alms Race': A Profile of Robert L. Woodson, *Philanthropy, Culture, & Society*, August 1992, Capital Research Center.

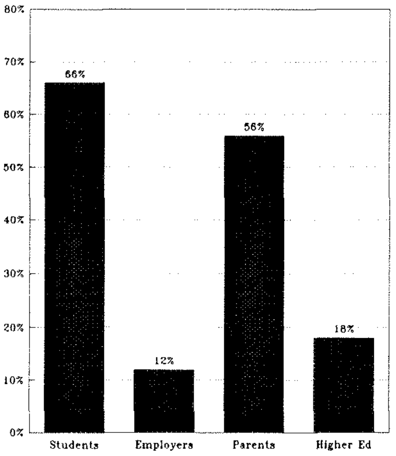
Spirituality, Materialism, and African American Entrepreneurs. Explores how many African Americans have yet to adopt a value system compatible with the free market. Urges the development of "human resource companies" that will invest in individuals, directing them "away from the welfare system and toward a system in which each able individual is expected and empowered to work and to succeed." Armstrong Williams, "Slavery to 1992: A Historical Perspective of Black American Success through the Free Market System," *The Heritage Lectures 395*, February 1992, The Heritage Foundation.

EDUCATION

New Private Tuition Voucher Programs Announced. The Georgia Public Policy Foundation has raised over $1 million to fund vouchers to pay half the tuition (up to $3,000 total) for a low-income child attending one of 29 participating private schools. And fundraising efforts for a second private voucher program, Charity for Choice in Washington, D.C., are just getting underway; founder David Gadson, an African American school teacher, is appealing to minority churches. "Two New Private Voucher Programs Announced," *Business/Education Insider*, September 1992, The Heritage Foundation.

Strikes Nationwide Delay School Openings. In early September, 22 strike actions kept 17,024 teachers and nearly 270,000 students out of the classroom. The strikes affected schools in Illinois, Michigan, Montana, New Jersey, Ohio, Pennsylvania, Rhode Island, and Vermont. "Teacher Strikes Affect Eight States," *The Government Union Critique*, September 18, 1992. Contact the Public Service Research Foundation, 1761 Business Center Drive #230, Reston, VA 22090; phone 703/438-3966.

Who Thinks Students Are Good at Writing?



Harris survey cited by Chester E. Finn, Jr., "Our Schools and Our Future," Center of the American Experiment

You Can't Trust the Education Establishment. The National Education Association and other groups are trying to persuade the public that American schools work. In some cases, they blame the student-victims, suggesting that public schools do "an outstanding job, given the sorry lot of children [they] must educate." Jeanne Allen, "Why the NEA Can't Be Trusted With Your Children," *Indiana Policy Review*, September 1992, Indiana Policy Review Foundation.

Teacher Certification Ineffective, Counterproductive. Research shows little connection between teacher certification requirements and teacher competence. Alternative certification programs have been more successful in attracting well-educated minority teachers, and they have produced teachers at least as well qualified as those certified under traditional programs. David W. Kirkpatrick, "Rethinking Teacher Certification," *Issue Brief*, August 1992, The Commonwealth Foundation.

Private Schools and National Standards. Standards are the *beginning*, not the end, of school reform. Private schools should play a role in improving students' educations; "I know there are some cities in which the most reliable education that's available in very poor neighborhoods is in Catholic schools . . . [P]rivate schools serve a very important function in this country." "Interview with Diane Ravitch," *Technos*, Falls 1992. Contact Agency for Instructional Technology, Box A, Bloomington, IN 47402-0120; phone 812/339-2203.

Lessons from Australia. Australia's effort to set national education goals offers lessons for the U.S. "Teaching good interpersonal skills, independence in learning, team work, and cooperation does not require a new curriculum, and certainly does not require the rigid and precise organization of learning into 'employment related key competencies.' The problem is not what is being taught but how it is taught and how it is assessed." Judith Wheeldon, "National Goals in Education: What Are We to Do?" *The Sydney Papers*, Winter 1992. Contact The Sydney Institute, 41 Phillip Street, Sydney NSW 2000 Australia; phone (02) 252 3366.

Bold Experiment in Baltimore Schools. Education Alternatives Inc., a Minneapolis firm, has been contracted by the Baltimore public school system to manage nine public schools for the next five years. The firm also runs schools in Eagan, Minnesota; Paradise Valley, Arizona; and South Miami, Florida. Tom Dunkel, "Investing in the Children," *Insight*, September 21, 1992, The Washington Times Corporation.

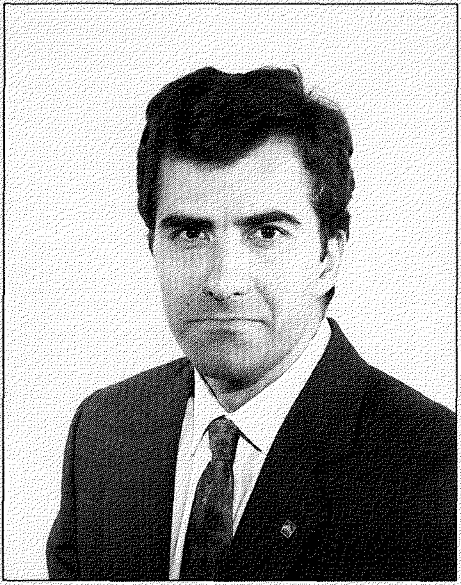
THE
HEARTLAND
INSTITUTE

■ Chicago ■ Cleveland ■ Detroit ■ Kansas City ■ Milwaukee ■ St. Louis

Quarterly Performance Report

By Joseph L. Bast

The past three months have been exciting ones for The Heartland Institute. Our new book on term limits was released in October; a privatization conference in Detroit was a smashing success; our work on health care and school reform reached audiences of unprecedented size and influence; and two books have been accepted by a commercial publisher for release as second editions. A pretty good quarter for the country's best little think tank!



Joseph L. Bast, President of The Heartland Institute

Privatization

Detroit Conference Booms

Seventy mayors, city managers, municipal department directors, and other city and county officials attended "Remaking Local Government," The Heartland Institute's conference on privatization held in Detroit on October 7. The day-long event drew public officials representing a dozen cities from Gaylord to Highland Park to Grosse Pointe Park.

Featured speakers were **Wendell Cox** (Wendell Cox Consultancy), **Robert J. Daddow** (Gordon & Company, PC), **Michael L. Mills** (Michigan Privatization Council), **Robert W. Poole, Jr.** (Reason Foundation), **Louis H. Schimmel, Jr.** (Municipal Advisory Council), and **Charles D. Van Eaton** (Hillsdale College). **James Sharp**, former mayor of Flint and now vice president of City Management Corporation, also spoke.

Michael Mills, speaking after the event, said "this is the best privatization event I've ever attended. Heartland has every right to be proud of what it achieved." Charles VanEaton said "this conference went beyond my expectations. Typically the audience listens to our remarks about privatization but looks like it wants to run away. This audience clearly was interested and excited about what we had to say."

Mission

The Heartland Institute applies cutting-edge research to state and local issues. Heartland's researchers focus on alternatives to relying on government programs; their efforts are leading to lower taxes and less government spending.

Participating in the event as exhibitors were eight companies active in privatization: Central Installation, City Management Corp., PSG, OMI, WWOS, Hull's Cleaning Services, ServiceMaster, and the Michigan Privatization Council. Press interest in the event was also high, with reporters on the scene from the *Detroit News*, *Oakland Press*, and *Crain's Outstate Report*. Scenes from the conference were shown on the Channel 50 evening news.

"The responses we received on questionnaires from the conference were uniformly positive," says Michigan executive director **Thomas Shull**. "We're excited about the prospects of doing it again next year."

Study Urges Privatization

Heartland Policy Study #50, "Revitalizing the American City: A Market Perspective for Detroit," was released at a well-attended news conference on September 2. The 67-page report—coauthored by **Michael Mills, Charles D. Van Eaton**, and **Robert Daddow**—documents over $336 million in potential savings from selling city assets, service shedding, and competitive contracting.

Calling Detroit "one of America's truly great cities," the authors painstakingly track current spending patterns, examine success stories in other cities, and create a plan of action that can help the city get past its recent problems. Among their recommendations: selling the Civic Center, City Airport, and municipal parking facili-

President: Joseph L. Bast
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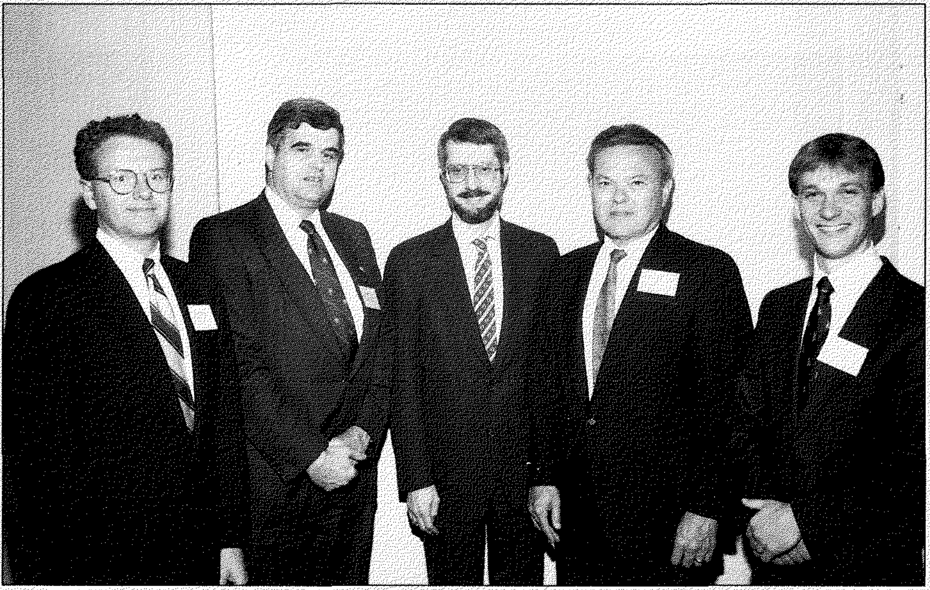
ties; shedding recreation, cultural, and some public health services; and contracting out water and sewer services, public works, and mass transit operations.

The study has sparked serious public debate and extensive press attention, including articles in *Crain's Detroit Business*, *Detroit News*, *Ann Arbor News*, and several other daily newspapers around Michigan. The study has been featured in several *Detroit News* editorials on Detroit Mayor **Coleman Young** and the future of Detroit. Copies are available for $20 ($10 for Heartland Sponsors).



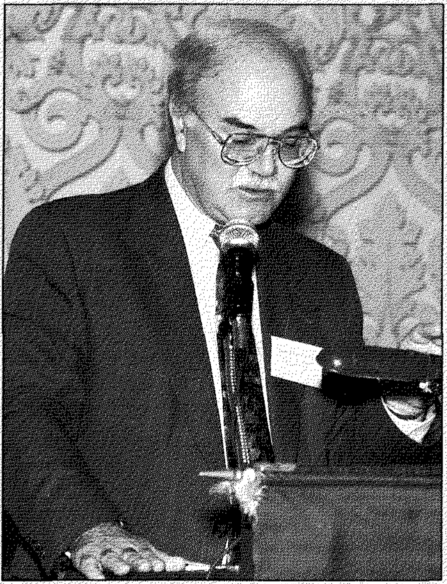
Michael Deane (U.S. Environmental Protection Agency), Wendell Cox (Cox Consultancy), Robert W. Poole, Jr. (Reason Foundation), Louis H. Schimmel, Jr. (Municipal Advisory Council of Michigan), and Thomas A. Shull at "Remaking Local Government" in Detroit on Wednesday, October 7, 1992.

Term Limits

Book on Term Limits Published

On October 3, just in time for the November elections, Heartland released its fifth book, *Gridlock in Government: How to Break the Stagnation of America*, by **Roger E. Meiners** and **Roger LeRoy Miller**. Twenty thousand copies of the 147-page book were distributed to Heartland supporters, opinion leaders, allies, and friends during October.

With a lively writing style that brings otherwise stale budget numbers to life, Meiners and Miller contend that the nation's political system is in the grip of a massive gridlock caused by entrenched incumbents, influential special interest groups, and an incentive structure that rewards legislators who support ever-higher public spending. "We must change the incentives of our politicians," they write, "or they will have no incentive to vote for policies that will allow our economy to grow and create opportunities for all people."



Charles D. VanEaton speaks at Heartland's Detroit privatization conference.

Twenty thousand copies of *Gridlock in Government* were distributed in October to supporters, opinion leaders, and allies.

The solution, say Meiners and Miller, is term limitation: "When politicians know they must return to ordinary society and live under the laws passed while they are in Congress, they will think more carefully about the long-term effects of the programs they support." Term limits would break the hold that special interest groups have on Congress; will open up the political process to more candidates; will strengthen political parties; and will make principle rather than expedience the motivation of many elected officials.

Copies of the book are $7.50 each ($3 for Heartland Sponsors).

Term Limits in Illinois, Ohio

Heartland Policy Study #51, "Curbing the Governmental Class: How Term Limits Can Restore a Citizen Legislature in Illinois," was released on September 18. The 35-page report, written by **James L. Payne** and **Michael Jerbich**, documents how turnover rates for the Illinois legislature have plummeted in recent years, and how tenure in office correlates with voting records on taxes and legislative perks. Term limits, the authors argue, would restore the "citizen legislator" envisioned by the founding fathers.

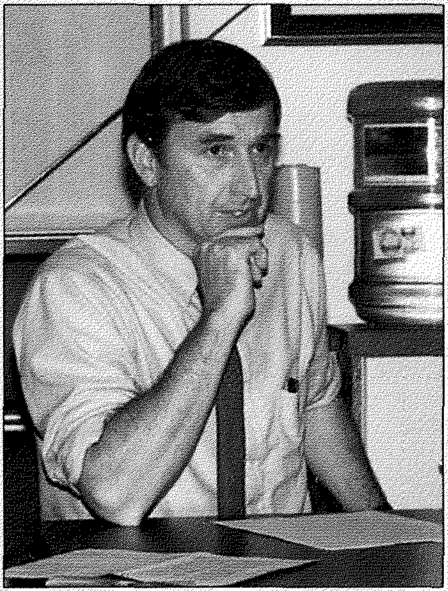
Payne and Jerbich contend that the U.S. was founded on the idea of the citizen legislator, and for over a century short terms in office and voluntary stepping aside were dominant patterns at all levels of government. Term limitation is necessary to dislodge heavily entrenched incumbents who have lost touch with the concerns and interests of the voters they represent. Copies of the study are $9 ($4.50 for Heartland Sponsors).

On October 23, an Ohio version of Payne and Jerbich's research was released using new data collected on that state's elected office holders.

Education

New Choice Series Reaches 190,000 Students

The families of more than 190,000 school children in Illinois



James Payne, coauthor of *Heartland Policy Studies* on term limits in Illinois and Ohio.

are receiving information on school choice in weekly church newsletters and school bulletins thanks to a series of columns produced by **Thomas Hetland**, executive director of Heartland's Center for Rebuilding America's Schools.

Charter subscribers to the series are the school offices of the Archdiocese of Chicago, the Diocese of Joliet, and the Northern Illinois District of the Lutheran Church - Missouri Synod. These offices represent two-thirds of Illinois' 300,000 non-public school students. Invitations to participate have been sent to other non-public school systems in Illinois.

Candidate Meetings Organized

In August, the Center for Rebuilding America's Schools hosted a workshop for more than 60 private school teachers and parents from the greater Chicago area. These activists plan to meet with their local candidates for state representative and state senator prior to the November 3 election to express their support for school choice. The August meeting provided a helpful forum at which to share information on previously successful meetings and share ideas for the future.

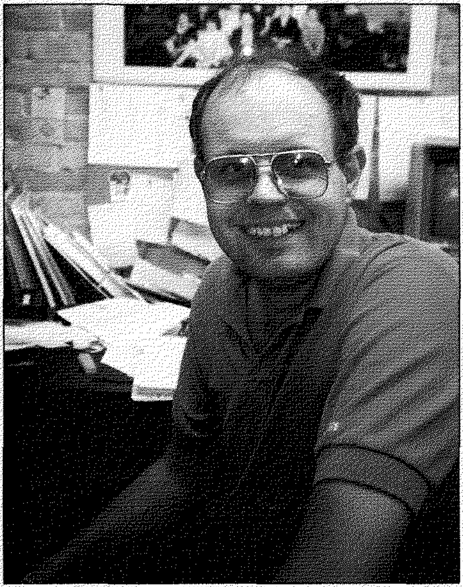
Support Grows in Pilsen

Thomas Hetland spoke to over 400 people at a public meeting on education vouchers in Pilsen, an Hispanic neighborhood on Chicago's Near West Side, on October 1. The meeting was organized by State Rep. **Ben Martinez**, sponsor of legislation creating a voucher plan for Pilsen.

Support for vouchers at the meeting was virtually unanimous. Speaker after speaker described how the local public schools were *overcrowded and dangerous*, while neighboring private schools with open seats had to close for lack of money. The anger of many parents in the audience was palpable.

> Four hundred people jammed a school auditorium in Pilsen to express their support for education vouchers.

The Heartland Institute has been seeking funding to build community support for an education voucher program in Pilsen since January, when it prepared a proposal describing the effort for the New American Schools Development Corporation (NASDC). Partisan opposition to education vouchers led NASDC to reject the plan (though it was one of just 16 finalists out of nearly 700 proposals submitted), so Heartland has rewritten the proposal and is seeking funding from other sources.



Thomas Hetland, FSC, executive director of the Center for Rebuilding America's Schools.

Panels and Presentations

In addition to the Pilsen community meeting, Thomas Hetland appeared on panels in Springfield and in Chicago to speak on the proposed Education Amendment to the Illinois Constitution, a seminar on education issues hosted by Harris-Stowe State College in St. Louis, and a meeting of educators hosted by Amoco Corporation in Chicago. On October 27, the Center hosted a meeting featuring Marshall Fritz, president of an experimental private school in Fresno, California.

Health Care

21,000 Books Sold!

Buoyed by favorable reviews in the *American Journal of Hospital Pharmacists* and other health industry publications, sales of Heartland's book on health care reform, *Why We Spend Too Much on Health Care*, continue to be strong. The book's third printing is nearly exhausted, meaning nearly 21,000 copies of the book are now in circulation. Bulk purchases of the book have been received from insurance companies, hospitals, and medical associations around the country.

In Spring 1993, University Press of America will release a revised second edition of the book, giving us a crack at the elusive national bookstore marketplace.

Audiences Get the Message

Stuart A. Wesbury, Jr., coauthor of *Why We Spend Too Much on Health Care*, has been using the book as the basis for talks at seminars and conferences around the country. Wesbury spoke in Charlotte and Raleigh, North Carolina, in May, and Washington, D.C. in September. He is speaking in Tennessee in November, and Chicago and Anaheim, California, in March 1993.

> Stuart Wesbury has been criss-crossing the country talking about *Why We Spend Too Much on Health Care*.

Heartland policy analyst **Eric Banfield** also has been busy calling, meeting, and writing to members of a regulatory group drafting new legislation regarding individual and small group health insurance. On October 16 he testified in Hilton Head, South Carolina; he will be making presentations at a Health Care Fair in Springfield, Illinois, in December.

Meanwhile, Heartland publications on health care continue to appear in newspapers and magazines around the country. **William Dale** and **David Danielson's** essay titled "Just the Facts About Universal Health Care" appeared in 23 newspapers; reviews of *Why We Spend Too Much* appeared in *Chicago Medicine*, *Benefits Sourcebook*, *Health Insurance Matters*, *The Freeman*, *Cincinnati Enquirer*, and *St. Louis Post-Dispatch*; and **Joseph Bast's** analysis of new legislation in Wisconsin appeared in the *Milwaukee Business Journal*, *Northeastern Wisconsin Business Review*, and *Milwaukee Commerce Hotline*, published by the Metropolitan Milwaukee Association of Commerce.

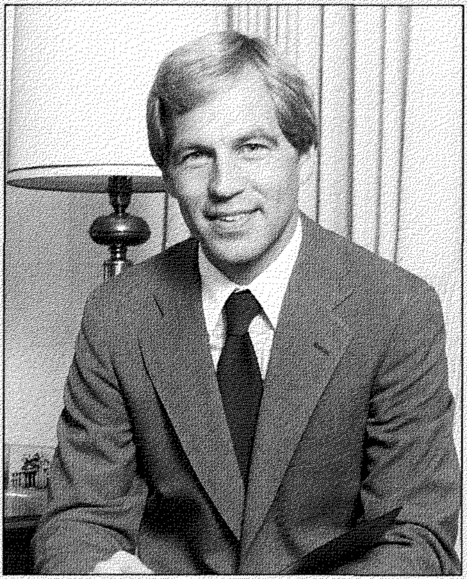
Taxes

In Missouri

A *Heartland Policy Study* by **Thomas L. Wyrick** on Missouri's tax-limiting Hancock Amendment has generated extensive press coverage across the state, including news and editorial coverage in the *Kansas City Star*, *St. Louis Post Dispatch*, and newspapers in Tarkio, Mound City, Caruthersville, Louisiana, and Faucett. A syndicated columnist in North Carolina used the study in a widely reprinted column calling for that state to adopt a similar tax-limitation amendment!

Brad Furnish, Kansas City executive director, generates press coverage on taxes in Missouri.

Kansas City executive director **Brad Furnish** followed up Wyrick's success with a *Heartland Perspective* on a gasoline tax increase approved by the Missouri legislature. The essay was run by the *Southeast Missourian* (Cape Girardeau) and newspapers in Lee's Summit, Sedalia, Kearney, and Owensville.

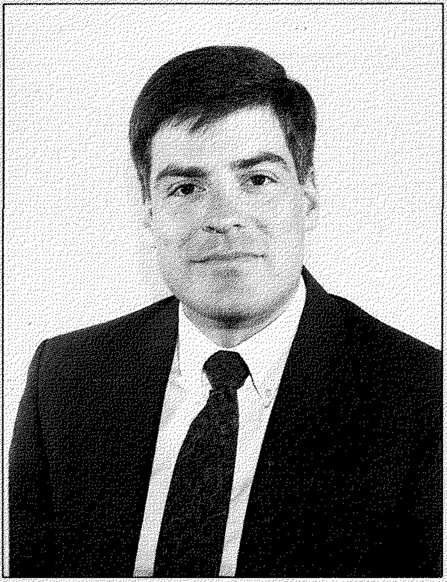


Robert J. Genetski is coauthor of a *Heartland Policy Study* on taxes in Illinois.

In Illinois

On October 26, Heartland released *Heartland Policy Study* #53, "The Illinois Education Amendment: An Assessment," by **Robert J. Genetski** and **Joseph L. Bast**. The study examines a proposed amendment to the Illinois Constitution that would give the state "the preponderant responsibility for financing the system of public education."

The authors find that passage of the amendment could result in a tax increase of $2 billion, resulting in the loss of a quarter-million jobs and nearly $12 billion of personal income growth each year. The authors question whether increased state spending on education is needed or even desirable in light of current spending levels and the loss of local control that would result. Copies of the study are available for $9 ($4.50 for Heartland Sponsors).



Michael A. Finch, new executive director of The Heartland Institute in Illinois.

Personnel Changes

Illinois

Illinois Executive Director **Alejandro Bertuol** left the organization in August to become a privatization advisor for a multinational investment corporation. We wish him well and will sorely miss him. Replacing Alex is **Michael A. Finch**, formerly with the Industry Council for Tangible Assets in Washington, D.C. "Becoming executive director of The Heartland Institute's Illinois office," says Finch, "is a terrific opportunity for me to help put some ideas into action. I look forward to working with the Board of Governors and network of friends and allies Alex Bertuol assembled during his two years here, and to building the organization in the near future."

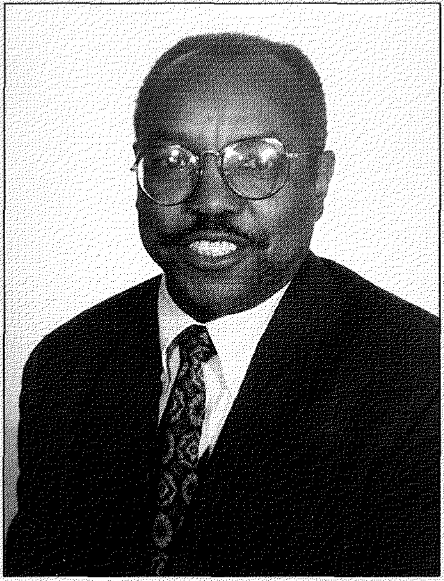
Ohio

Peter Thusat, executive director of Heartland's Ohio office since November 1990, stepped down in September to pursue other interests. **Marcia Hurt**, a Cleveland-based attorney and long-time Heartland supporter, is serving as interim director until the end of the year, when a new executive director is expected to be hired. Marcia's address and telephone number are: 1215 Terminal Tower, Cleveland, OH 44113, phone 216/781-1212.

New Directors

The Heartland Institute is proud to welcome two new members to its Board of Directors. **Lee Walker** is chairman of the New Coalition for Social and Economic Change and appears frequently on radio and television programs in the Chicago area. He was the 1988 Illinois Chairman of African-Americans for Bush/Quayle, and helped coordinate support in Illinois for Clarence Thomas' nomination to the U.S. Supreme Court last year.

Stuart A. Wesbury, Jr., was president of the American College of Healthcare Executives from 1979 to 1991 and past chairman of the Mid-America Chapter of American Red Cross. Today he is *a senior vice president* with Tribrook Management Consultants, a firm based in Westmont, Illinois specializing in hospital and medical clinic management issues.



Lee Walker is a new member of Heartland's Board of Directors.

J. Donald Moffat, a founding member of the Board of Directors, and **Virginia Cropsey**, a member of the Board of Governors for Heartland's Michigan office, have left their respective boards for personal reasons. Updated lists of board members appear on the last page of this report.

Entrepreneurship

ReDonna Rodgers, *executive* director of Heartland's Center for Teaching Entrepreneurship (CTE) in Milwaukee, Wisconsin, reports a number of successes marking the end of the Center's first year of activity. CTE introduces Milwaukee's inner-city youth to the principles of business start-up and ownership using a curriculum designed by the National Foundation for Teaching Entrepreneurship in New York.

During its first year, CTE presented over 30 Community Education Workshops reaching 500 youths and adults. Four training courses lasting from eight to twelve weeks were conducted serving a total of 57 students. Five youth were individually helped to start or further develop their own businesses. The Center responded to over one hundred inquiries from youth and adults concerning business development.

Heartland's Center for Teaching Entrepreneurship introduced 500 youths and adults to the principles of starting their own business.

In October, ReDonna received her third community service award since starting the Center. The Brown & Williamson KOOL Achiever Award brings with it a $5,000 gift to the Center. Congratulations, ReDonna!

In addition, the Center has received a grant from the Private Industry Council to hold six workshops, each lasting two weeks, with students from Milwaukee's inner-city. Fall classes are also underway at Lavarnway Boys and Girls Club, the Parklawn Housing Complex, and the Mary Ryan Boys and Girls Club, all in Milwaukee.

ReDonna says the Center's achievements during the past ten months are merely a prelude to the Center's emergence as a source of assistance and inspiration to *thousands* of young people in Milwaukee. Her contagious enthusiasm and dedication make CTE's future growth ensured.

ReDonna Rodgers, executive director of The Heartland Institute's Center for Teaching Entrepreneurship in Milwaukee.

Intellectual Ammo

The Heartland Institute's new magazine, *Intellectual Ammunition*, has won rave reviews from legislators, policy analysts, and Heartland Sponsors. In addition to the favorable comments reported in the "Publisher's Note" on page two, nearly one hundred legislators have faxed or mailed "Fax-Ballots" to us. Here are more of their comments:

"I wish the mass media would report these facts!"
—Sen. W. Bradley (NM)

"I enjoyed the variety of articles and 'easy reading' format, and plan to save back issues for constituent information."
—Rep. F. Stone (FL)

"This issue was most informative and valuable. Are the previous issues available? If so, please mail to me. This concise and important information is invaluable."
—Rep. W. Spring (MT)

"Very informative, very interesting information and issues typically not found in the print or other media." —Rep. Guice (MS)

"Full of concentrated material needed by anyone in a position to

We Gratefully Recognize the Following Corporations and Foundations for Their Support in 1992

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Wicor Foundation, Inc.
William L. Law Foundation, Inc.
World Heritage Foundation
Young Radiator Company
Xertrex International

The next Quarterly Performance Report will include the names of *individuals* as well as corporations and foundations who support The Heartland Institute. If you do *not* wish your name to appear in this list, please contact us.

appropriate public monies.”
—Sen. R. David (ND)

“As Sgt. Friday used to say, ‘Just the facts.’ IA provides facts in a more concise manner than anything I’ve seen before.”
—W. McKeithen
Louisiana Secretary of State

*“**Intellectual Ammunition** is just the tool I need to help keep me informed on vital issues and it also helps in my speech preparation. I am happy to receive IA. Where have you been?”*
—Rep. J. Roberts (AR)

“Your magazine is great. The best source of information I’ve seen. Keep up the good work.”
—Rep. M. Stevens (MS)

Admittedly, we received one (but only one) negative review. Rep. Doris Lingelbach (VT) said “Do not send additional issues—completely right wing publication—no thanks!” Sorry we woke you up, Ms. Lingelbach.

Advertising revenue is essential to the success of *Intellectual Ammunition*: we estimate our costs to be $20,000 to produce and deliver each issue to 8,000 elected officials and 1,500 Heartland supporters and friends.

Advertising revenues have been good for a start-up magazine. We are very grateful to the organizations and individuals who have bought advertising or made contributions.

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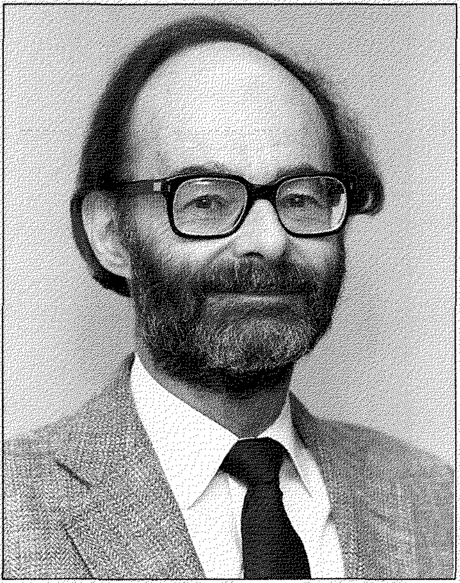
If you think *Intellectual Ammunition* is a valuable product, please consider buying advertising or making a contribution so we can run a free ad. The continued publication of *IA* is very much at stake, so please be generous!



Edwin S. Mills’ work for The Heartland Institute on convention centers is being used in public policy debates across the country.

Perspectives

In addition to books, *Policy Studies*, and *Intellectual Ammunition*, The Heartland Institute publishes *Heartland Perspectives*, a series of short opinion essays sent to as many as 1,400 newspaper editors. *Perspectives* are also reprinted in *Intellectual Ammunition* so legislators and Heartland Sponsors can read them.

Recent *Perspectives* have addressed affirmative action on college campuses, Canadian health care, the War on Drugs, the need for better economic education, privatization opportunities in Michigan, how public officials often ignore voters, and welfare policy.

Heartland Perspectives have appeared in the *Chicago Sun-Times*, *Detroit News*, *St. Louis Post-Dispatch*, *Milwaukee Business Journal*, and scores of other newspapers. **Joseph Bast’s** “Prohibition: 1929 and Today” has appeared in some twenty newspapers, while a more recent essay by **Sam Staley** titled “Cities Can’t Afford the War on Drugs” (see page 24 of this issue of IA) appeared in the *Cleveland Plain Dealer*.

You could be the author of a *Heartland Perspective*! If you have some thoughts about a current state or local public policy issue you wish to share, call The Heartland Institute at 312/427-3060 and request our writers guidelines for *Perspectives*.

And Much More

As usual, there is not sufficient room in this report to cover all of the organization’s activities and successes.

Heartland Ohio hosted a successful event in Cleveland with **Sam Staley**, president of the Urban Policy Institute, on July 31. Staley, the author of a new book on drug policy, called for legalization as a solution to the epidemic of drug-related homicides in many of the nation’s largest cities.

Heartland’s work on convention centers and sports stadium subsidies continues to be cited around the country, showing up recently in *The Boston Herald* and in several *Richmond Times-Dispatch* editorials. Heartland’s office in Michigan continues to be a source of research and commentary in debates over the future of Detroit’s Tiger Stadium.

Heartland also continues to assist other think tanks by helping to create the State Policy Network, a new association that will assist members on a project-by-project basis. **Joseph Bast** is an officer and member of the board of directors of the new organization. On September 30, Bast delivered a lecture on ideology, labels, and state-based think tanks at The Heritage Foundation in Washington, D.C.

These activities have been made possible by the generous donations of some 800 Heartland Sponsors. We express our gratitude to them all, and pledge to continue producing quality research and commentary on the most important issues of the day.

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Choice Provides "Gate Test" for Education. "Former Secretary of Education William Bennett was once asked by a student how one could tell if the United States or the former Soviet Union was really the better country. 'Apply the gate test,' Bennett replied, 'open the gates and see which way the people flow.'" Educational choice provides the same test for schools. *School Choice: A Briefing Paper on Changing Our Schools*, September 1992. Contact The Committee for Republican Leadership, One Rodney Square, P.O. Box 551, Wilmington, DE 19899; phone 302/651-7728.

Vouchers Could Save California Taxpayers Money. If 52 percent of all students enrolled in California public schools took advantage of a $2,600 voucher to attend a private school, the state's education budget would be cut by $3 billion. The savings come from the difference between current per-pupil spending for public schools (approximately $4,260) and the cost of the voucher. Janet R. Beales, "Survey of Education Vouchers and Their Budgetary Impact on California," *Policy Insight Number 144*, August 1992, Reason Foundation.

How Much More Money Do They Want? Per-student spending (in 1991 dollars) increased from $623 in 1930 to $5,399 in 1990. If the education establishment, seeking significantly increased tax funding for education, gets only increases of the same magnitude over the next six decades, education spending in the year 2050 will reach $46,788 per pupil in constant 1991 dollars—probably hundreds of thousands of dollars per student in 2050 dollars! David W. Kirkpatrick, *Choice Comments*, September 1992. Contact REACH, P.O. Box 1283, Harrisburg, PA 17108-1283; phone 717/238-1878.

ENVIRONMENT

America's Natural Resources Plentiful. "Contrary to the drumbeat of environmental horror stories, America is not running out of natural resources. By all indications, energy, food, forests, and minerals are becoming more plentiful. In fact, the decade of the 1980s was one of the best ever for the availability of natural resources—

Waiting Periods: More Harm Than Good

By John Andrews and David Kopel

GOLDEN, CO—Can anything be done to stop the firearms carnage in this country? One proposal before state legislators is to require that any retail purchase of a gun be preceded by a waiting period.

Waiting periods have strong initial appeal. The tradeoffs appear positive: relatively small costs in exchange for significant gains in public safety. But this perception is misleading, because there is a very real possibility that waiting periods *reduce* public safety.

Police departments have only limited money and manpower. In states where waiting periods currently exist, the police have had to review approximately 10,000 firearms purchase applications to find one criminal worth arresting. Each arrest generated by a waiting period consumes $40,000 in police resources—about the salary of one police officer for one year. Paying a police officer $40,000 to make one arrest per year? It would be difficult to think of a more wasteful use of scarce police resources.

Why do background checks cost so much, yet produce so little? Criminals buy guns on the black market, not in retail stores. A study of convicted felons conducted by the National Institute of Justice discovered that only 12 percent of handguns used to commit a crime had any connection to over-the-counter retail purchases. Even then, most of the purchases were made by a surrogate (such as a girlfriend) with a clean record.

Criminologists of every political persuasion have analyzed the benefits of waiting periods, and *not one has found any evidence that they reduce crime.*

Besides wasting scarce police resources, waiting periods endanger public safety in a second way. In the hands of abusive, incompetent, or just plain overworked bureaucrats, reasonable waiting periods often turn into unreasonable delays and application rejections.

In New Jersey, the law mandates that the waiting period may last no longer than 30 days. Yet it takes three to six *months* to get a gun permit in New Jersey. Some police chiefs delay applications for years for no legally valid reason.

Those who wish to save lives should oppose waiting periods.

California enacted a 15-day wait in 1990. Already, buyers with squeaky-clean records are being told they will have to wait four months for approval from the state's overworked Department of Justice.

In Maryland, where firearms applicants are allowed to appeal a police rejection of their application, the police are over-ruled in 78 percent of all appealed cases. Under the proposed federal waiting period and many parallel state proposals, there is no appeal from arbitrary and unfair rejections.

A target shooter may not be badly hurt by a four-month delay in his application to buy a pistol. But what about the person who feels she needs a gun for self-defense? *Waiting periods endanger innocent lives.* Persons concerned with saving lives should reject waiting period proposals.

###

John Andrews is President, and Dave Kopel is Research Associate, of the Independence Institute.

an era of increasing abundance." *Evidence*: Of 38 natural resources examined, 34 declined in real price (the best measure of scarcity) from 1980 to 1990. Stephen Moore, "Doomsday Delayed: America's Surprisingly Bright Natural Resource Future," *IPI Policy Report No. 118*, August 1992, The Institute for Policy Innovation.

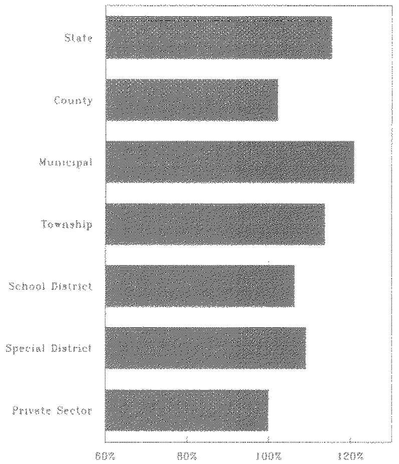
Water Marketing Rights Encourage Conservation. Water projects undertaken by the federal government—dams, irrigation projects, and "use it or lose it" subsidy programs—have taken a heavy toll on fish and wildlife. *A better way*: Water marketing rights, which would ensure that water conservation and wildlife preservation are achieved consistent with private property rights and economic freedom. Terry L. Anderson and Donald R. Leal, "Buy that Fish a Drink: The Water Marketing Alternative to ESA," September 1992, Citizens for the Environment.

FAMILY

UN Convention Pits Child Against Family. The United Nations Convention on the Rights of the Child became effective on September 2, 1990, but the U.S. has not ratified the treaty. *Why it should not*: "By endowing the child with legal autonomy, that is to say, enjoying rights independently of the family, the new doctrine puts the family in the position of mere caregivers, bound to the observance of the child's rights." James P. Lucier, "Unconventional Rights: Children and the United Nations," *Family Policy*, August 1992, Family Research Council.

Important Distinction Between Divorced and Unwed Mothers. "It is one thing when a divorced, high-profile newswoman on a television comedy has a baby without her ex-husband's financial support; it is quite another when a teenager or a young mother on welfare does." *The difference*: Only 57 percent of mothers who never married have a high school diploma; 82 percent of divorced mothers do. Forty percent of never-married mothers will receive AFDC for 10 years or more, compared to 14 percent of divorced mothers. The median annual income for never-married black mothers was $7,411 in 1990; for divorced black mothers, it was $13,348. Douglas J. Besharov, "Not All Single Mothers Are Created Equal," *The American Enterprise*, September/October 1992. Contact the American Enterprise Institute, 1150 17th Street NW, Washington, DC 20036; phone 202/862-5800.

Average Monthly Compensation
Public Sector Employees as a
Percentage of Private Sector Employees



"America's Protected Class," American Legislative Exchange Council, February 1992

GOVERNMENT

Congress Lives in a World Apart. Congress has become imbued with a "willful elitism," setting itself apart from the constituents it was elected to represent. *Dangerous result*: "Congress, by and large, sees itself not working for the people as public servants, but *governing* them. It does what it wants and it takes what it wants." Ralph Kinney Bennett, "A Congressional Priesthood," *The Heritage Lectures 402*, April 11, 1992, The Heritage Foundation.

Term Limits are Constitutional. Despite the attempts of term limit opponents to argue otherwise, the U.S. Constitution *does* allow states to limit the terms of their members of Congress. In fact, the Constitution's framers considered rotation in office "necessary in order to prevent a stagnant and unresponsive legislature." Neil Gorsuch and Michael Guzman, "Will the Gentlemen Please Yield? A Defense of the Constitutionality of State-Imposed Term Limitations," *Policy Analysis No. 178*, September 24, 1992, Cato Institute.

Term Limit Movement Evaluated. Panelists at a conference of the U.S. Congress Assessment Project address the term limits phenomenon from three angles: who supports term limits and why; lessons to be learned from state campaigns already undertaken; and a review of term limit initiatives and other efforts currently underway. David W. Mason, editor, "Term Limits: Sweeping the States?" *The Heritage Lectures 397*, 1992, The Heritage Foundation.

Pennsylvania Has Long History of Term Limitation. William Penn, in 1682, affirmed the importance of rotation in office for the colony's governor, councillors, and members of the General Assembly. *Why he favored term limits*: Rotation in office assured (1) a greater check on tyranny; (2) a greater level of participation; and (3) a greater level of representation. Charles E. Greenawalt II, "Term Limitation in Pennsylvania's Political Heritage," September 1992, The Commonwealth Foundation.

The 5-Minute Citizen. Participation in the U.S. political process is at an all-time low, perhaps because citizens are not comfortable with their understanding of the process or the issues. In addition to reviewing the political process and helping readers develop their individual perspectives on issues, this book reprints some of the country's most basic governing documents and provides a list of over 100 non-partisan think tanks nationwide. Gerry Cote, *The 5-Minute Citizen*. Contact Publius Incorporated, 2679 SW Glen Eagles Road, Lake Oswego, OR 97034.

HEALTH CARE

California Proposals Analyzed. Three health care reform proposals under consideration in California are evaluated on the basis of four questions: Will they lower health care costs? Who will bear the burden of the new costs they impose? Will they improve the quality of care? Will they help those who currently fall through the cracks? Lance T. Izumi, "California's Health Care Reform Proposals: Are They Worse Than The Disease?" *Briefings*, June 15, 1992, Golden State Center for Policy Studies.

Government-Run Health Care No Joke. The horrors of bureaucratic medicine are presented by the Nevada Orthopaedic Society in a comic book format. *The Medical Monster of Capitol Hill*, 1990. Contact the Nevada Orthopaedic Society, 555 North Arlington Avenue, Reno, NV 89520; phone 702/788-5213.

Policy Makers' Guide to Health Insurance. "The basic problem with today's health insurance system is that it fails to provide its customers with what they rightfully expect from any type of insurance—namely, peace of mind, or protection against uncertainty." Policy makers seeking to respond to these concerns effectively must recognize that insurers are not necessarily "the bad guys"; they are responding to rules and incentives established by government. Edmund F. Haislmaier, "A Policy Maker's Guide to the Health Care Crisis Part III: What's Wrong With America's Health Insurance Market?" *Talking Points*, August 14, 1992, The Heritage Foundation.

Evaluating Reform Proposals. Health care reform proposals must be evaluated on the basis of the quality, availability, and affordability of health care they would provide. *Failing grades to*: guaranteed insurability, community rating, national health insurance, "play or pay." *Passing grades to*: tax reform, medical savings accounts, tort reform, elimination of mandated benefits. *Position Paper*, April 1992. Contact Council for Affordable Health Insurance, 800/858-9621.

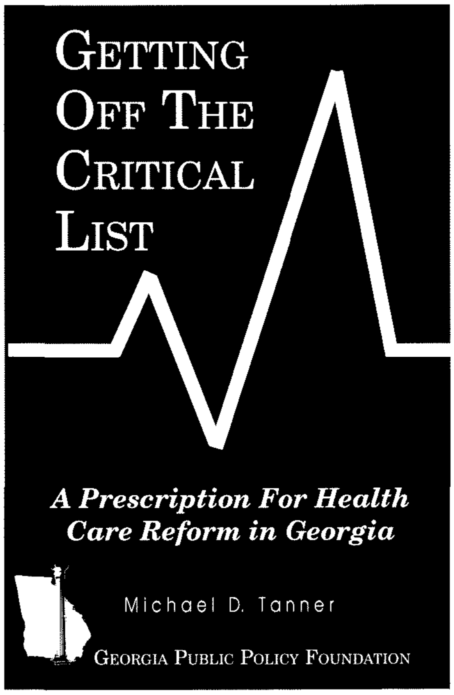
National Health Care Myths Exploded. U.S. proponents of national health insurance look to Canada and Britain as "models" of affordable, accessible health care. *Unknown facts*: Canada has been no more successful than the U.S. in controlling health care spending. Unequal access to care runs rampant in Britain and Canada. Rural patients are underserved in national health systems. John Goodman and Gerald Musgrave, *Twenty Myths About National Health Insurance*, September 1992, Mackinac Center for Public Policy.

Can States Reform Medicaid? The Employee Retirement Income Security Act of 1974 (ERISA) and federal Medicaid waiver laws have frustrated state officials seeking to initiate health care reform. *Key questions*: How much flexibility do states have within these laws? What changes would allow states to take the initiative on health care reform? The House Wednesday Group, "Primer on Medicaid Waivers, ERISA, and State Health Initiatives," July 1992. Contact Bill Gradison, Chairman, The House Wednesday Group, 386 Ford House Office Building, Washington, DC 20515; phone 202/226-3236.

HIGHER EDUCATION

Many Academic Intellectuals Are Imposters. Tenure has alienated professors from parents, alumni, regents, department chairmen, and internal

CAN STATE GOVERNMENTS REFORM HEALTH CARE?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university review boards. "America's academic intellectuals are largely insulated from the discipline of free markets, each university or college a tiny oasis of quasi-socialism." Martin Anderson, *Imposters in the Temple* (New York, NY: Simon & Schuster, 1992; 256 pages, $22.00).

LAW

Litigation Winners and Losers. *Winners*: Plaintiffs attorneys, who earn $10 billion a year on personal injury suits alone. *Losers*: the U.S. economy, which bears liability litigation costs 15 times higher than Japan and 20 times higher than Europe; and consumers, who pay higher prices for products, some of which are *less safe* as a result of product liability laws. Robert W. McGee, "The Real Beneficiaries of Liability Litigation and the Case for Reform," *Critical Legal Issues Working Paper Series*, August 1992, Washington Legal Foundation.

Market Value of Infrastructure Assets Owned by State and Local Governments	
Airports	$28.95 billion
Electric utilities	$16.70 billion
Highways and bridges	$95.00 billion
Parking structures	$11.40 billion
Turnpikes	$7.40 billion
Water supply	$23.94 billion
Wastewater Treatment	$30.79 billion

Private Developers Forced to Shoulder Social Burden. Can fees be assessed against real estate developers to subsidize solutions to social problems, like insufficient low-income housing? Although the U.S. Supreme Court denied review of *Commercial Builders of Northern California v. City of Sacramento*, other cases addressing the issue are good candidates for review in the near future. "High Court Declines Review of Developer Fees for Low-Income Housing," *In Perspective*, Fall 1992, Pacific Legal Foundation.

Smokers Unlikely to Win Lawsuits. In *Cipollone v. Liggett Group, Inc.*, the Supreme Court recently found that the federal Cigarette Labeling Act bars liability claims focused on cigarette advertising or promotion. *Fact*: The Court has heard over 200 tobacco cases since 1954. Plaintiffs who smoked won none. "There is probably no product danger that is more well-known than dangers connected with smoking." Victor E. Schwartz, "*Cipollone v. Liggett Group*: Now That the Smoke Has Cleared," *Legal Opinion Letter*, August 14, 1992, Washington Legal Foundation.

Litigation Explosion Could Get Worse. The Judicial Conference of the United States is considering changes that would badly weaken an otherwise "effective deterrent to frivolous litigation." Currently, "Rule 11" imposes mandatory sanctions against parties who have filed frivolous lawsuits. Proposals to eliminate the mandatory nature of sanctions and to provide a 21-day "safe harbor" period during which litigants who violate Rule 11 may escape its sanctions would render the rule largely useless. Richard A. Samp, "Judicial Conference Should Reject Weakening of Rule 11," *Legal Opinion Letter*, August 14, 1992, Washington Legal Foundation.

PRIVATIZATION

L.A. Airport Worth More if Privatized. Privatization would result in a higher net present value (NPV) for Los Angeles International Airport (LAX) than city ownership and operation of the airport as a profit-making enterprise. *Compare*: sale of LAX would result in an NPV of $3.35 billion; the NPV of a 99-year lease to a private manager would be $3.58 billion; the NPV of a 30-year lease would be $2.53 billion; if the city keeps the airport, its NPV would be just $2.34 billion. Robert Poole and Bryan Snyder, "Privatizing Los Angeles International Airport: Analyzing the Alternatives," *Policy Insight No. 143*, August 1992, Reason Foundation.

"Deprivatizing" Costs Money. In 1987 the Toronto Transit Commission began in-house operation of Wheel-Trans, its dial-a-ride service after 12 years of contracting the service to private providers. In-house operation resulted in costs 93 percent higher than they had been when the service was contracted. The number of drivers for the service increased by 15 percent, while office personnel increased by 59 percent, administrators by 90 percent, and maintenance personnel by 341 percent. "Deprivatization Costs High in Toronto," *MTA Monitor*, September 1992. Contact the Metropolitan Transportation Association, 81 East Elm Street, Chicago, IL 60611; phone 312/944-7337.

Corrections Privatization Surges. The Private Corrections Project at the University of Florida released on June 30 its *Private Adult Correctional Facility Census*, which updates a November 1991 report. The number of private corrections facilities increased 18 percent during the period studied; the number of prisoners housed in private facilities rose by 30 percent, to 17,317. Construction currently underway will increase the number of facilities to 60 and their total capacity to 24,715 by mid-1993. "Private Corrections Census Shows Strong Industry Growth," *Privatization Watch*, August 1992, Reason Foundation.

Public-Private Partnerships Not Always Good. William Styring, vice president of the Indiana Chamber of Commerce, urges caution by private firms seeking partnerships with government agencies. *Quotable*: "Quite frankly, I would sooner try to pet a cobra than to assume that government is always a benign seeker of the public good." William Styring, "Public/Private Partnerships: A Roundtable Forum," remarks reprinted in *Philanthropy*, Summer 1992, The Philanthropy Roundtable.

States Stepping Up Privatization Activity. Faced with budget deficits and constituent resistance to tax increases, governors and state legislatures are increasingly looking to privatization. *Leaders in the movement:* Massachusetts, Michigan, Mississippi, Maryland, Rhode Island. William Eggers and John O'Leary, "Special Update: State-Level Privatization Efforts Beginning to Take Shape Around the Country," *Privat-*

Questioning National Health Care

By Conrad Meier

COLUMBIA, MO—There are over 55 health care reform proposals in Congress and an assortment of 100 plans at the state and local level, all designed to "improve" our health care system. State legislators and activists are strangely silent, however, when asked about the consequences of national health care on the fastest-growing segment of our population, senior citizens.

The aging of our population is a key factor in the rising cost of health care. Today, there are twice as many children as senior citizens, so it is easy to promise a tax-supported health care system financed by the young to take care of the old. But by the year 2030 there will be as many senior citizens in this country as there are children; shortly thereafter, the over-65 sector will be the largest sector of the population.

The implications of such a demographic shift for national health care are enormous. Senior citizens are high cost, high intensity users of health care. (The cost of health care for a person 65 or over is 3.9 times the cost of care for someone under 65.) Our ability to finance their increasing demand for care will fall with the shrinking population of young workers whose taxes are needed to fund national health care.

Many proposals for national health insurance promise unlimited access to health care services with low or no deductibles or co-payments. Countries where national health insurance is already in place experienced explosive growth in the demand for health care services when the programs began. Soon afterwards, spending caps and rationing had to be imposed to keep from bankrupting the national treasuries.

As demand for health care explodes and the supply of tax dollars available to fund health care falls, the administrators of a national health care system in the U.S. will have no choice but to control demand. And they will do this by rationing medical services to the elderly.

> In countries with national health care, the elderly suffer most from the rationing of medical services.

Senior citizens bear the brunt of rationing in countries that have national health insurance. In the Netherlands, for example, terminally ill patients are encouraged to take advantage of the euthanasia option; in Great Britain, kidney dialysis and hip replacements are offered only to patients below certain ages.

Is this the future that legislators and supporters of national health care envision? Are we prepared to give politicians and bureaucrats that kind of control over our health? And if we change our minds about the wisdom of national health care—as so many countries already have done—where will *we* go for quality care?

# # #

Conrad Meier is a health insurance consultant and freelance writer.

ization Watch, September 1992, Reason Foundation.

REGULATION

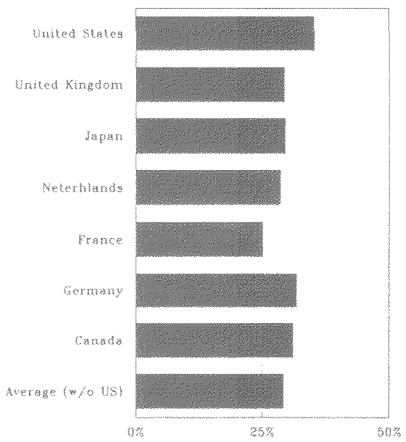
Feds Should Defer to States on Regulation of Business. The federal government should regulate only where there is a demonstrated *national* need; even this principle must be tempered by two important considerations: (1) it should be applied only where state action results in a major negative effect on commerce; (2) it should recognize that states act as invaluable laboratories of change producing innovative programs and policies. Wendell L. Willkie II and Alden F. Abbott, "Who Should Regulate Business? Assessing the Federal-State Balance of Power," *Critical Legal Issues: Working Paper Series*, August 1992, Washington Legal Foundation.

Business Mobility Limits Government Power. As governments worldwide erect barriers to international commerce, businesses have become increasingly creative in their discovery of ways to hurdle the barriers. Ultimately, "the mobility of enterprises—of their people, capital, and information—is reducing the power of government. Public-sector decision makers increasingly are being forced to understand that they now have to become internationally competitive in the economic policies they devise." Murray Weidenbaum and Harvey S. James Jr., "Responding to Foreign Competition: Overcoming Government Barriers," *Policy Study Number 113*, September 1992, Center for the Study of American Business.

Second Thoughts About No-Smoking Air Travel. Should government ban smoking on airplanes, or in other privately owned facilities? Engineering documents report that "on a Boeing 727 cruising at 35,000 feet the air in the cabin is completely exchanged for new, fresh air about every two to four minutes. That kind of massive air exchange does not occur in your home or in any office building that I know of." Robert T. Smith, "Smoking on Airplanes," *The Freeman*, September 1992, The Foundation for Economic Education.

How to Encourage Entrepreneurship. Small businesses are vital to urban economies. *Entrepreneurial stimulants*: cutting red tape; exempting self-employment income from city income taxes; de-emphasizing publicly funded "mega-projects"; reforming building codes and zoning laws. Sam Staley, "Changing Course in America's Cities: Revitalization through Entrepreneurship," *Urban Policy Perspective No. 1*, August 28, 1992, Urban Policy Research Institute.

Tax Rate on Foreign Income
By Location of Parent Company



Source: National Chamber Foundation.

TAXES

Property Tax "Relief" in Michigan. Proposals on Michigan's November ballot, both advertised as "property tax relief," would have strikingly different results. Proposition A would increase 1993 property taxes across the state by $86 million; Proposition C would *reduce* net property taxes in 1993 by over $500 million. Patrick L. Anderson, "Analysis of Tax Proposals on the 1992 Ballot," *A Mackinac Center Report*, September 1992, Mackinac Center for Public Policy.

Tax Policy Hurts U.S. Global Competitiveness. U.S. multinational corporations face significantly higher tax rates on foreign income than do competitor multinationals headquartered in other countries. On average, a U.S.-based multinational faces an effective tax rate of 35.2 percent, compared to an average tax rate of 29.2 percent in comparison countries. Global competitiveness demands a revamping of the U.S. tax code with respect to multinationals and foreign investment. Anthony Saggese and Robert Ragland, "Testimony of the National Chamber Foundation" presented to the Senate Finance Committee, July 21, 1992.

TRANSPORTATION

State Highway Systems Graded, Compared. The performance of the 50 state highway systems is graded and compared on the basis of resources (expenditure and administration) and performance (pavement condition, traffic congestion, bridge deficiencies, and fatality rates). *The top five*: New Mexico, South Dakota, Wyoming, Mississippi, South Carolina. *The bottom five*: Rhode Island, Arizona, Maryland, California, and New York. "Resources vs. Results: Comparative Performance of State Highway Systems," summarized in *Document Review*, September 1992. Contact John Semmens, Arizona Department of Transportation, 206 South 17th Avenue #310B, Phoenix, AZ 85007; phone 602/255-7333.

Illinois Trucking Industry Not Paying Its Way. In 1983 Illinois increased truck size and weight limits to conform with federal requirements, and imposed fee increases to compensate for anticipated highway damage. Today, the Illinois Department of Transportation reports that heavy trucks impose annual costs of $128 million on Illinois streets and highways, but truckers pay only $40 million per year in highway user fees. "The Effects of Increased Truck Size and Weight in Illinois," summarized in *Document Review*, September 1992. Contact John Semmens, Arizona Department of Transportation, 206 South 17th Avenue #310B, Phoenix, AZ 85007; phone 602/255-7333.

WELFARE

State Welfare Reforms Evaluated. The notion of a reciprocal agreement

(Continued on Page 22)

Welfare

America's Poverty Myth: Part I

By Robert Rector

WASHINGTON, DC—The Census Bureau recently released its annual report on income and poverty in the U.S. The report showed that the current recession has cost Americans millions of jobs. This unemployment and the suffering it entails are real. However, the Census Bureau also reported, as it has for many years, that more than 30 million Americans are living in poverty. This picture of chronic, widespread poverty is grossly inaccurate and results from flaws in the Census measurement system.

There are two key mistakes in the way the Census Bureau measures how many households fall below the poverty line, which was $13,942 for a family of four in 1991. First, the Bureau ignores family assets; second, it ignores almost the entire spending of government anti-poverty programs.

The Census Bureau undercounts cash welfare aid and entirely excludes food, housing, and medical assistance. The Bureau ignores whole programs, such as food stamps, Medicaid, and public housing. As far as the Census Bureau is concerned, these programs have no effect on living standards. Out of a total of $184 billion in welfare spending on the non-institutionalized population in 1990, the latest year for which data are available, Census counted less than 18 percent—only $32.5 billion.

Much of the political clamor about "the rich getting richer and the poor getting poorer" is a direct result of this failure to count government non-cash assistance. An accurate count of food, housing, and medical aid would show that today the lowest-income two-fifths of households have a greater share of U.S. total income than they did 20 years ago. Remarkably, this has occurred despite the rapid proliferation of poverty-prone single-parent families.

But under the Census Bureau's official measurement system, increases in spending in most welfare programs actually lead to increases in reported "poverty." On average, when a low-income family receives free benefits it will work less; studies show that an extra $1 in free benefits may reduce cash earnings by as much as 80 cents. But when the non-cash benefits the Bureau does not count displace the cash earnings it does count, Census reports an overall decline in family income and an increase in "poverty."

Suppose a family receives $1,000 in food stamps and as a result reduces its earnings by $300 over the year. Since the Bureau considers food stamps to have zero value, it will report that this family's income has fallen by $300.

It should come as no surprise that back when welfare spending was still low the official poverty rate plummeted from 32 percent in 1950 to 14.7 percent in 1966. Since that time welfare spending has soared, but the decline in "poverty" has all but stopped.

The official Census figures not only misreport poverty, they draw needed attention away from the real tragedies of America's welfare system: millions of children who grow up without fathers, adults who lack the work ethic and the dignity it provides, and entire generations robbed of hope for a better future.

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Robert Rector is a policy analyst for social, welfare, and family issues at The Heritage Foundation.

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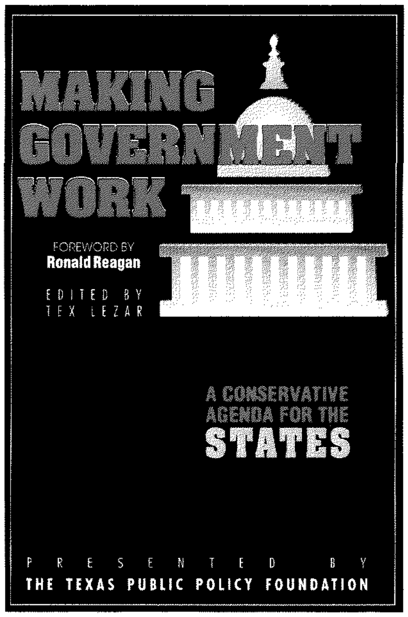

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between welfare recipients and the taxpayers who fund their benefits has found its way into several recent reforms of state welfare programs. Twelve such programs—operating in California, Florida, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, Ohio, Pennsylvania, Vermont, Washington, and Wisconsin—are analyzed. The House Wednesday Group, "New Directions: Welfare Reform in Twelve States," August 1, 1992. Contact Bill Gradison, Chairman, The House Wednesday Group, 386 Ford House Office Building, Washington, DC 20515; phone 202/226-3236.

Shortcomings of Section 8 Housing Subsidies. The administration of Section 8 housing subsidies in Cook County (Chicago, IL) has destabilized suburban neighborhoods, increased segregation, and in other ways worked against the program's goals. "Too many poor families concentrated in small areas . . . cause a town's property values to go down, people to move out, and crime to increase." Bill Clements, "Subsidized housing, destabilized neighborhoods," *Chicago Enterprise*, September 1992. Contact the Civic Committee of The Commercial Club of Chicago, One First National Plaza, Suite 2700, Chicago, IL 60603.

When Social Security Goes Bust. "If you were born after 1936, don't count on Social Security to make your retirement years comfortable. The Social Security system will be in serious trouble within 10 years, and the crunch will be devastating when the baby boomers start arriving at retirement age around 2010." Dorcas R. Hardy and C. Colburn Hardy, "How to Beat the New Social Insecurity," *Bottom Line Personal*, October 15, 1992. Contact Boardroom Reports, 330 West 42nd Street, New York, NY 10036.

Addressing the Growth in Homelessness. The homeless seem to be everywhere, at least in part because their advocates, politicians, and the courts have given them the *right* to be everywhere. Private property owners are no longer permitted to oust the homeless from their land, doorways, or stairwells; homeless advocates have come to view public parks and civic buildings as "headquarters" for their political movement. Carl F. Horowitz, "The 'Homeless' vs. Property," *The Free Market*, September 1992. Contact the Ludwig von Mises Institute, Auburn, AL 36849-5301; phone 205/844-2500.

OTHER TOPICS

The Future of Economic Development. "As the conventional barriers of nation-states and regions collapse under the weight of global economic forces," Joel Kotkin writes, international "tribes"—the Chinese, British, Japanese, and Jews—will emerge and "increasingly shape the economic destiny of mankind." Joel Kotkin, "Global Tribes: Understanding the New Economic Paradigm," *Points West Review*, August 1992, Center for the New West.

Blueprint for Competitiveness. Eighteen research papers by 25 experts were synthesized to produce *Capital Choices*, a pathbreaking analysis of how public policies and private practices influence the way America invests in industry. The project's findings are summarized in *Challenges*, July/August 1992. Contact the Council on Competitiveness, 900 17th Street NW, Suite 1050, Washington, DC 20006; phone 202/785-3990.

Congressional Support for Free Market Measured. The seventh annual Competitive Enterprise Index (CEI) discovered that U.S. Senators supported the market economy 43 percent of the time on 50 votes dealing with competition, economic freedom, and opportunity. The average Democratic senator's CEI score increased from 23 in 1990 to 27 in 1991, the Democrats' highest average CEI score since 1986. Among Senate Republicans, market-oriented voting fell from 64 in 1990 to 63 in 1991. Tom Miller, "Market Rebounds, But Recovery is Weak," *CEI UpDate*, July 1992, Competitive Enterprise Institute.

Group-Think Invades Land of Individual Rights. Public policy in America seems to depend on defining individuals as members of groups; "increasingly it seems that one's membership in American society is dependent on, or subordinate to, the degree to which one belongs to a particular 'group'—or series of groups." In a five-article series on "group-think" in America, four groups are considered: generation, gender, religion, and race. "The Nation's New Tribalism," *Insight*, September 14, 1992, The Washington Times Corporation.

Call for Papers. The Association of Private Enterprise (APEE) will sponsor its Eighteenth International Convention in Washington, D.C., April 4–6, 1993. The theme of the convention is "Economic Freedom and Quality of Life." APEE is seeking papers that address both economic freedom (property rights, competition, market choice, or entrepreneurship) and quality of life. Deadline for submission of papers in December 4, 1992. For additional information, including guidelines for submitted papers, contact APEE Vice President John G. Udell, School of Business, The University of Wisconsin, 1155 Observatory Drive, Madison, WI 53706; phone 608/263-4100.

America Aging. By the year 2030, one in five Americans—20 percent of the population—could be age 65 or older. *Compare*: In *Florida* (widely viewed as a retirees' haven), 18 percent of the current population is elderly. It is important for policy makers not only to recognize the aging of America, but also to recognize that the elderly population is a very diverse group. Public policy that is strictly age-oriented will waste scarce resources on many senior citizens who are not needy. Carol De Vita, "Congress must make plans for an older population mix," *Northeast Midwest Economic Review*, October 1992. Contact Northeast-Midwest Institute, 218 D Street SE, Washington, DC 20003; phone 202/544-5200.

Revised Teaching Kit Ready. The Durell Money and Banking Teaching Kit, used in over 7,000 classrooms over the past two years, has been improved. The new kit is expected to reach 350,000 students. *What's covered*: basic economics, how our economy works, money and its history, the Federal Reserve, causes of unemployment, inflation, and more. Kits are $25.00 each; a companion video is $19.95; get both for $39.95. Contact Durell Institute of Monetary Science, Shenandoah University, 1460 University Drive, Winchester, VA 22601-5195; phone 703/665-5428.

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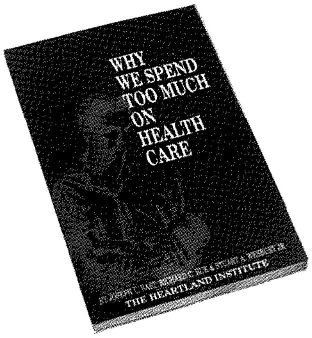

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Urban Policy

Cities Can't Afford War on Drugs

By Sam Staley

DAYTON, OH—For more than two decades, America's cities have been ripped apart by a breakdown of law and order. The riots in Los Angeles were a dramatic reminder of the tinderbox our inner cities have become.

Despite renewed attention to America's urban problems, however, no one seems willing to face up to a fundamental fact: Unless urban policy squarely addresses the problems of the drug economy and its impact on urban economic development, American cities are destined for even more poverty, conflict, and violence.

Importantly, the current War on Drugs is an unwitting partner in this urban destruction. Public policy has pushed the price of drugs much higher than would exist in a free market, creating fierce and violent competition for profits.

Surveys of drug traffickers indicate that the motivations for entering the trade are economic. A $7 per hour job in the legal economy does not compare favorably to the promise of $30 per hour for trafficking drugs on a street corner. For many youth, particularly minorities faced with few job prospects, drug trafficking is an attractive substitute for flipping hamburgers or unloading crates.

Unfortunately, the true costs of the drug trade (especially the risks to life and family) are not fully revealed until the budding drug traffickers are already engaged in selling. The high risks and lower-than-expected earnings (substantially lower than the promised hundreds of thousands) cause almost all drug traffickers to leave the trade for less lucrative, but safer, jobs by their mid-twenties.

By the time such young (mostly male) adults re-enter the legal employment sector, *their chances of leading productive lives have been severely reduced.* Each young worker has lost four to six years of valuable, if not essential, work experience. He has foregone educational opportunities, acquired a criminal arrest record, and adopted the language and lifestyle of the streets. These will make him less attractive to potential employers. Many residents of our cities thus have been significantly handicapped, and the potential for urban economic development has been severely undermined.

The social costs of the War on Drugs are borne by millions of people caught in the web of the criminal justice system and victimized by neighborhood violence. Every year, thousands of people are hurt or killed in drug-related crimes. These crimes take a heavy toll on the inner city, driving businesses out and encouraging residents to flee to the suburbs as soon as they can afford to.

Policy makers cannot continue to ignore the economic consequences of the War on Drugs. Taking the profits out of the drug trade will require fresh and innovative approaches that today are precluded by a unitary federal policy of drug prohibition. An important step in the right direction would be comprehensive decriminalization of drugs on the federal level, allowing individual states and cities to set their own priorities in the War on Drugs.

# # #

Sam Staley is president of the Urban Policy Research Institute in Dayton, Ohio. He is the author of ***Drug Policy and the Decline of American Cities*** *(New Brunswick, NJ: Transaction Publishers, 1992).*

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